

OVERSEAS MOVING
BY MICHAEL GERSON
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WORLD NEWS

Boeings in near miss at Biggin Hill

Two airliners, packed with passengers, were involved in a near miss near London's Biggin Hill airport yesterday, ending the week's Boeing 737 flight and a Dutch Transavia Boeing 737 were half a mile apart and separated by only 700 ft vertically over Biggin Hill, the Civil Aviation Authority confirmed. They should have been at least three miles apart and separated by 1,000 ft. The CAA said the incident was being investigated.

Relief workers airlift

A United Nations airlift evacuated 85 relief workers, including 20 Britons, trapped by rebel forces in northern Somalia. A Foreign Office spokesman said a further five Britons and 75 other workers were due to be evacuated shortly.

S Africa bomb kills 4

Four people died and another 19 were injured after a limousine, hired by a bank, exploded outside a bank in Johannesburg, near Johannesburg, Page 3

Paisley faces jail term

Ulster Democratic Unionist leader, the Rev Ian Paisley, says he is prepared to spend 30 days in jail rather than pay a £200 fine imposed for taking part in illegal parades, Page 5

Arrest warrant for MP

A warrant was issued at Telford for the arrest of Labour MP, Ron Brown, alleging criminal damage to the House of Commons, Page 6

Car safety tests

The Consumers' Association is to test the Japanese-made Suzuki SJ 413 after US reports that 16 people died in rollover accidents in the vehicle, Page 6

English soccer: they fear

European police chiefs met at Tadworth, Surrey, to discuss ways of preventing an invasion by English soccer hooligans at the European Championship in West Germany next week, Page 6

Action on terrorists

European Community ministers are to toughen joint action against international terrorism, including IRA attacks in continental Europe, Page 2

Red Army Faction threat

The Red Army Faction, the West German guerrilla group, threatened a new phase of violence in its underground newspaper, Bonn security sources said, Page 6

Barbie appeal rejected

An appeal by Nazi criminal Klaus Barbie against a life sentence for crimes against humanity was rejected by a Paris court, Page 6

Schluter forms coalition

Danish Prime Minister Poul Schluter formed a three-party coalition, Page 2

Soviet Union golf course

The first golf course to be built in the Soviet Union should be in operation by 1991, Page 2

French Open

Mats Wilander of Sweden will meet Henri Leconte in the finals of the French Open tennis tournament, Weekend FT, Page XX; Tennis and France, Page 2

MARKETS

DOLLAR

New York lunchtime: DM 1.7283
FF 5.889
SF 1.4405
Y126.06
London: DM 1.7287 (1.7285)
FF 5.8925 (5.8923)
SF 1.4395 (1.4393)
Y126.0 (126.5)
Dollar Index 93.9 (94.2)
Tokyo close: Y126.11

US LUNCHTIME RATES

Fed Funds 7 1/2%
3-month Treasury Bills: yield: 6.87%
Long Bond: 100 yield: 8.12%

GOLD

New York: Comex August \$473
London: \$484.75 (483.75)

BUSINESS SUMMARY

Falling £ fuels interest rate speculation

STERLING lost more ground against the D-Mark and the dollar yesterday, ending the week's fall from DM3.11, raising speculation about another rate rise if the fall continues. Back Page

LONDON SHARE trading this week was brightened by takeover speculation in the food manufacturing sector and later by the

FT Index

Ordinary Share (1928.2 (167.87))
May 31 1988 Jun 3

currency changes, which encouraged interest in reporting stocks. The FT Ordinary index ended the four-day trading week 12.1 higher at 1,444.4, Page 12

GEC TURBINES, subsidiary of

UK-based engineering group General Electric, beat NPL Parsons to win an order to equip Fawley B, first of a new breed of coal-fired power stations, Back Page

GLYNWED INTERNATIONAL, the

Midlands industrial group, is making a £98m recommended offer for steel and plastics distributor Amari, Back Page

RAI INDUSTRIES, the British

tobacco-based conglomerate, has won the State of Arizona's consent to go ahead with its \$4.5m (£2.5m) bid for US insurer Farmers Group, Eight other states have yet to declare their decisions on the bid, Page 8

ROYAL WORCESTER SPODE

workers are considering a US-style employee share ownership plan to win control of the British china company being sold by London International Group, Page 8

FERRANTI led a UK consortium

which beat US competition to supply laser equipment for the Royal Air Force's Tornado jet fighters, Page 4

UNITED BISCUITS has been

approached by a London-based consortium to buy its KP Foods factory in Halifax as a going concern. The factory is due to close next year, Page 10

EUROPEAN COMMISSION investigations

opened yesterday into alleged dumping of imported Japanese earth-moving vehicles which European competitors said were unfairly priced, Page 2

US CHIP industry chiefs will seek

political backing for sanctions against Japan after the collapse of trade talks in Tokyo, Back Page

CHINESE COMPANIES should

raise capital by issuing shares to foreigners, says a senior Chinese economic official, Page 10

JAPANESE PROFITS: Wako Economic

Research Institute of Tokyo predicts average profits growth of only 7.7 per cent for leading Japanese companies this financial year, Page 10

HITACHI, the Japanese electronics

company, boosted net profits worldwide by almost 40 per cent to ¥136.8bn (£805.3m) in the year to March, Page 10

Leaders of the free world find love and peace

IT proved to be the final, special moment in what a weary, homeward-bound President Ronald Reagan was yesterday moved to describe as "a week of special moments," writes Michael Cassell.

After six days of Kremlin summitry, Red Square walkabouts, Buckingham Palace teas and Downing Street dinners, the 77-year-old leader of the free world found himself near the end of his exhausting mission and speaking in London's 16th century Guildhall. He drew comfort, he said, from the survival of something so much older than himself.

The theme had been set well before the President's arrival, with gathering dignitaries serenaded to the tunes of True Love and Mind If I Make Love to You.

As a concession to the City contingent, the band threw in Who Wants To Be A Millionaire?

The Guildhall had put on its best bib and tucker to welcome "Grandfather Reagan," as Mr Mikhail Gorbachev had accurately, but pointedly, introduced him to a young Muscovite. The relaxed, garden party atmosphere extended to white gloves and huge hats for the ladies.

Mrs Nancy Reagan and Mrs Margaret Thatcher sat alongside each other and threatened to touch brims.

The stage slowly filled with famous political faces, both temporary and historical. Mr Howard Baker, the White House Chief of Staff, sat close to Lord

Wilson of Rievaulx, who sat next to Lord Callaghan. Mr George Shultz, the US Secretary of State, again found himself in the presence of political dissidents, notably Sir Geoffrey Howe and Mr Nigel Lawson.

The President's first public speech since leaving Moscow was as much a restatement of his unqualified admiration for Mrs Thatcher as an appraisal of Mr Gorbachev.

The endorsement of their enduring "special relationship" was not, however, going to be a one-way affair. The historic Guildhall was bathed in television lights and in mutual, effusive, affection as the former radio announcer from Tampico, Illinois, and the research chem-

ist from Grantham, Lincolnshire, each poured praise on the other's subsequent success.

At this hour in history, the President said, the entire world saluted Mrs Thatcher and the British people. Her leadership and vision had been an inspiration to everyone who loved freedom and yearned for peace.

Having evoked memories of Arnhem and the Normandy beaches, together with the spirit of Sir Winston Churchill and the words of Tennyson, the President took his seat alongside his wife and listened, perhaps for the first time this week, to someone with whom he could entirely agree.

Mrs Thatcher responded in equally glowing terms, claiming

that the President's characteristic determination to raise in Moscow the human rights issue had offered "a beacon of hope" to those denied basic freedoms.

The President's "personal courage, gentle humour and spirit of optimism" had restored faith in the American dream.

At the end, the leaders grasped hands across Nancy's lap.

As the presidential motorcade swept away from Guildhall, past a small crowd protesting over US involvement in Nicaragua, a bowler-hatted bystander in a smock coat urged the Reagans to prepare to meet their maker. The mere thought of meeting anyone else before getting home appeared to push the President even further back in his seat.

Reagan optimistic of lasting Soviet change

BY STEWART FLEMING

PRESIDENT Ronald Reagan yesterday held out the hope that the world was "entering a new era in history, a time of lasting change in the Soviet Union."

Speaking in London during the break in his journey back to Washington from his historic summit meeting in Moscow with Mr Mikhail Gorbachev, Mr Reagan offered his most optimistic assessment yet of the changes the Soviet leader is trying to implement.

There were "momentous" developments, "in all aspects of Soviet life the talk is of progress towards democratic reform," Mr Reagan said. He cited Mr Gorbachev's plans for restructuring the Soviet economy, political institutions and religious, social and artistic life.

On Mr Gorbachev's proposals on "such things as official accountability, limitations on length of service in office, an independent judiciary (and) revision of criminal law," all of which he had discussed with the Soviet leader, Mr Reagan said: "To those of us who are familiar with the post-war era, all of this

is a cause for shaking the head in wonder."

He made it clear, too, that the US now accepted the assessment of the other major Western allies in the Soviet Union.

"My personal impression of Mr Gorbachev is that he is a serious man seeking serious reform," he said.

Mr Reagan's comments, like his decision to stop in London to deliver his first formal assessment of the summit and to meet Mr Noboru Takeshita, the Japanese Prime Minister, seemed designed in part to promote unity in a Western alliance facing difficult decisions in its dealings with Moscow, particularly on arms control and the sharing of the alliance's military and economic

By once again avoiding comments which could be regarded as harshly critical of Moscow, the President also seemed intent on continuing his own "peace offensive." The aim appears to be to counter Mr Gorbachev's popularity in Western Europe and to demonstrate that the US - and not just Moscow - is committed to the improvement in

East-West relations which began in earnest two-and-a-half years ago when the superpower leaders first met in Geneva.

This approach also helps to set the stage for Vice-President George Bush, the likely Republican candidate for the presidency, as he prepares for November's election.

Mr Bush, who presents himself as a man committed to continuing Mr Reagan's policies, is expected to try to capitalise on the politically popular easing of East-West tensions that Mr Reagan and Mr Gorbachev are pursuing.

Although it was billed as a report on the Moscow summit, Mr Reagan's speech at Guildhall in the City of London contained no new details of his discussions with the Soviet leader and only a cursory description of the substance of the talks.

He did, however, seek to remove concern among Washingtonians about the possibility of a new era, Page 4

British Gas returns to North Sea oil with £370m purchase

BY STEVEN BUTLER

BRITISH GAS yesterday moved to re-establish itself as a major player in North Sea oil exploration and production with a £370m agreed cash bid for Acre Oil, the independent oil company formed from the oil assets of the Calor Group and SHV, the private Dutch company, and floated less than two months ago.

The deal was swiftly sealed in the morning when British Gas bought 12m Acre shares in the market, bringing its interest in the company to more than 50 per cent, including a 40.2 per cent stake committed to it by SHV.

It is the fourth big takeover or purchase of North Sea assets this year and further reduces the size of Britain's dwindling independent oil sector.

The deal will bring to British Gas some 182m barrels of recoverable oil and oil equivalent, along with a broad spread of exploration interests in the northern North Sea. The assets

FIVE European gas importers yesterday agreed to enter immediate negotiations for a long-term gas sales agreement which would enable the export of 4m tonnes a year of Nigerian liquefied natural gas to Europe from 1995, Page 2

are dominated by oil interests rather than gas, Mr Chris Briarty, a British Gas managing director, said no objections were expected on monopoly grounds.

British Gas's original oil assets were hived off from the company ahead of its privatisation in 1986 and formed the original assets portfolio of Enterprise Oil, which has become Britain's biggest independent oil company. British Gas was left with only gas-producing assets.

"We would like to rebalance our portfolio given that our oil assets were stripped away," said Mr Briarty.

He added that British Gas was keenly interested in gaining access again to detailed geological information on the northern North Sea. Although British Gas obtains such information through its gas purchase agreements, this must be kept confidential from the company's exploration and acquisition staff.

The purchase is British Gas's second large acquisition since privatisation. Last December, British Gas spent some £350m to buy a majority interest in Bow Valley Industries in Canada in an agreement which had been delayed and modified following Canadian concern about the assets falling into foreign hands.

Mr Briarty said British Gas had approached SHV less than two weeks ago and made a formal offer.

Continued on Back Page

Macarthy drops UniChem bid

BY DAVID WALLER

MACARTHY, a quoted health-care company, has abandoned its attempt to win control of UniChem, the co-operative which is the UK's second-largest chemists' wholesaler. The decision is the latest twist in a saga that has sent shock waves through the UK pharmaceutical wholesaling industry.

Macarthy now intends to sue UniChem under Article 85 of the Treaty of Rome, seeking damages for the business it has lost as a result of a controversial share incentive scheme introduced by UniChem in January. The move follows the UniChem board's rejection of a second, improved bid from Macarthy which valued the co-operative at £80m.

The original offer, made in February, put a price of £68m on UniChem. Because of the co-operative's unusual status as a friendly society, neither bid has

been voted on by the 5,000 independent chemists who own it and are its customers. They recently rejected the offer put forward by the board's plans to keep the scheme going until 1990.

The original bid was made in direct response to the incentive scheme, which is now being investigated by the Office of Fair Trading under the Competition Act 1980. The scheme links the issue of bonus shares in UniChem to the level of planned and future purchases. The shares are sold at £1 and UniChem claims they will be worth at least £12 when the co-operative seeks a stock market listing.

The scheme has been successful in wresting business away from Macarthy and Vetric, a subsidiary of another quoted company, A&H. UniChem has forecast that its sales for the current year will be up by at least 29

per cent to £700m in a static market.

The scheme is thought to have had a severe impact on Macarthy, and stockbrokers have cut their profits forecasts for the company by £1m to around £10m for the current year. Macarthy's shares have slumped from 31p to 25p yesterday, down 1p.

Mr Nicholas Ward, chairman of Macarthy, said he was disappointed that a merger had not taken place and complained that he had been unable to meet the UniChem board. "UniChem's status as a friendly society has been cynically exploited to prevent us getting access to its owners," he claimed. "It is an anachronistic relic of the Victorian era."

He added that Macarthy was unlikely to bid again, even if the OFT found against the scheme. Lex, Back Page

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Income from £10,000 invested in Income Fund		Income from £10,000 invested in Building Society
599	1979	698
663	1980	935
766	1981	1,051
835	1982	928
893	1983	785
953	1984	715
1,085	1985	720
1,169	1986	770
1,436	1987	579
1,915	1988	482

or jam tomorrow?

In 1978 a Building Society investment would have given you more immediate income than a similar investment in the NM Schroder Income Fund. The same £10,000 investment 10 years later shows a different picture. Whilst the Building Society had produced £5,717 of income and maintained the capital base, the NM Income Fund had produced income of £10,314 and increased the capital by 380%.

Information about past performance is not necessarily a guide to the future and the unit price, as well as the income, can go down as well as up.

Nevertheless, one thing is certain - in 1988 Building Societies still only offer an immediate income advantage and they still offer no capital growth.

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WEEKEND FT



RAIL REVOLUTION
Christopher Lorenz explains how legendary car designer Elton Bugatti, suffering the fall-out of the 1929 Wall Street crash, turned to trains and sparked a revolution in rail travel in the UK
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FINANCE
Nikki Tait on the Atlantic Assets reconstruction plan, plus the latest on the Great Investment Race
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ANTIQUES
Anthony Thorncroft previews the pick of the antique fairs - in colour
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DIVERSIONS
Up, up and away in a beautiful pink balloon
Page XVI

HOW TO SPEND IT
Get ahead...in a hat
Page XVII

SPORT
Youthful tennis talent in Paris, plus Mike Gating - the man behind Middlesex
Page XIX

OVERSEAS NEWS

The championships are the place for companies to court clients and talk of prospects under the socialists, writes Paul Betts

Open for business in tennis-mad France

"I WARNED Ballardur two years ago that the right were committing political suicide by restoring majority voting," remarked one of France's leading businessmen as he watched Andre Agassi, the new golden boy of tennis, hammer the ball down the tramlines in the centre court of the Roland Garros stadium.

"The right is getting its just deserts," he later mused in one of the corporate entertainment tents in the exclusive Roland Garros "village" tucked into a chocolate cake drowned in vanilla sauce. "I'm sure the climax will be much more exciting during the men's final here than in the polling booth on Sunday since the election results are a foregone conclusion."

"Unless there is a miracle, the socialists are bound to win a comfortable majority in the National Assembly," he added, expressing the disenchantment of many of his countrymen who have had to endure a succession of elections - first the President

election and now a general election.

But at least they have been compensated during the last two weeks by the much more entertaining spectacle of the Paris open tennis championships, which have overshadowed the general election campaign in conversations and television.

The Roland Garros tournament has in its 60 years displaced the Tour de France cycle race as the country's most popular sporting event. It has also transformed tennis from a snob pastime of the French bourgeoisie into a sport practised by more and more schoolchildren in a growing number of municipal courts.

Tennis fever has now reached eccentric excesses in Paris. Most business seems to be conducted by executives in their hospitality suites or special boxes on the centre court at Roland Garros

during the two weeks of the tournament. Top managers inevitably appear smelling of suntan lotion and leaving a trail of red and blue behind them when they stumble into their offices in time for evening cocktails. The trade unions too have been forced to turn their attention to the tennis courts of the stadium at the far end of the Bois de Boulogne. Last Thursday, as Jonas Svensson, the surprise and delight of everyone defeating Ivan Lendl in the quarter finals, the workers of the Snecma state aero engine group took their seven-week pay protest to the stadium to try to muster a little public sympathy for their cause.

For all those who are unfortunate enough not to be among the 300,000 people attending the championships, the Paris urban transport network has organised a live transmission of matches on

television screens installed in many Metro station platforms. The two state-owned television channels, Antenne 2 and FR3, also transmit the matches all day, while the other channels inevitably lead their evening news programmes with the latest exploits from Roland Garros. The politicians and the election campaign invariably follow although some politicians, if they are lucky, have been spotted by the cameras sitting among the tennis fans, the cigar-smoking businessmen, and the shapely socialites in the stands of the centre court.

But, not surprisingly, there have been far fewer politicians than usual at Roland Garros this year. In contrast, the number of businessmen seems to be ever increasing. As many as 250 companies have sponsored the tournament this year and they all fight for the prestige of having a

tent in the famous village. The village is a series of about a dozen hospitality suites in one corner of the Roland Garros tennis precinct.

Lunch, tea and cocktails are served by Lacoste clad nymphs who also escort the business moguls and their guests to the boxes on the centre court or their seats on court number one. "You don't come to see the tennis but to be seen in the village," said a PR man from a big French company. "If you are not in the village, you are really nobody."

Other companies have hospitality suites in other corners of the stadium and pretend that it is much more chic not to be part of the village mob. The CIT-Alcatel telecommunications group goes even further by installing its hospitality suite in the exotic setting of a nearby Kew Garden-style greenhouse where Maxim's

serves marinated scallops on beds of sliced apple and lettuce. "It costs us about FF2,000 per guest a day," said a lady in a white linen suit at the hospitality room under court number one of Rhone-Poulenc, the state-controlled chemicals group. "It costs us about FF1m for the village, the catering and the seats in the courts for the whole tournament," said the permanently summoned communications director of the Peugeot motor group, which has had the ultimate honour of acting as the town hall of the village.

The companies regard the overall cost cheap considering the goodwill and publicity they generate with their clients. But the atmosphere in many of the hospitality suites and the corporate boxes was not as relaxed as usual this year.

It was not just because the

weather has been lousy, but the executives of the big French companies, especially those with intimate links with the state, are always in a state of high nerves after a change of government. Even though Mr Pierre Bergey, the socialist finance minister, has claimed on several occasions that there would be no corporate witch hunt this time, everybody expects heads to roll. Who would go and who would stay was one of the hottest subjects of conversation at Roland Garros this year as the businessmen and their cronies watched a new generation of rising young tennis champions still in their teens and the back-in-form local hero, Henri Leconte, defeat the Lendl and Navratilova of this world.

The tennis has been particularly exciting this year because of the new faces from Russia and America. By comparison, the businessmen noted, the faces of the politicians in the new French government were all too familiar.

Sakharov calls for release of dissidents

By Quentin Poel in Moscow

DR ANDREI SAKHAROV, the Soviet Union's most prominent and distinguished dissident, yesterday appeared on a Soviet government platform to demand the release of all political prisoners.

In the latest dramatic manifestation of Mr Mikhail Gorbachev's policy of glasnost, the Nobel prize-winning nuclear physicist, aged 67, banished for not coming to work in the city of Gorky until December 1986, demanded further sweeping reforms of the legal and penal system to seal in place the whole process of reform.

At the same time he gave his blessing to the political and economic changes under way, describing Mr Gorbachev himself as "an outstanding statesman, and one of the chief architects of perestroika".

He said: "Sizeable changes have taken place. They have ensured the implementation of human rights but... the policy which is being pursued is serious, and it deserves trust. To a certain extent we should even give it an advance measure of trust."

"The question of trust in this country at this period would only promote perestroika. Confidence in this government would help promote human rights, too."

Dr Sakharov's wife, Mrs Yelena Bonner, furiously denied any suggestion that her husband had done a deal with the Soviet government in order to give a press conference in the foreign ministry's international press centre in which only two days before Mr Gorbachev had given his close-of-summit address to a smaller invited audience.

Dr Sakharov himself, speaking throughout calmly and thoughtfully, very obviously clear about the message he wanted to give, said: "There were on what or how I was going to speak. If such conditions had been placed, I would not have come to hold this press conference."

He read out a list of 20 "prisoners of conscience", demanding that they be "immediately released from jails, labour camps, psychiatric hospitals and from their places of exile."

He strongly attacked many aspects of the legal system, calling for the repeal of key articles under which political prisoners were banished, and the urgent scrapping of the law which allows the penal authorities to prolong sentences arbitrarily.

He defended President Reagan's insistence on raising human rights to the top of his agenda at this week's summit with Mr Gorbachev, saying it was not pressure, but "natural concern" over the fundamental observance of human rights.

Dr Sakharov praised the idea of calling an international conference on human rights in Moscow, but said it must not be held until all Soviet prisoners of conscience had been released, and all Soviet troops withdrawn from Afghanistan.

"Until these prerequisites are honoured, there can be no talk of a human rights conference in Moscow."

On Mr Gorbachev's perestroika reforms, he warned against the danger of a conservative backlash. "Perestroika is a very complicated process in the course of which mistakes can be made, and setbacks can be suffered. All this can be used for large sections of the population to be made dissatisfied."

"But I have no hope that perestroika is an utterly necessary undertaking. It is necessary from an objective viewpoint, no matter the personal will of its supporters."

The press conference, attended throughout by foreign ministry officials, who provided interpretation, was organised after dozens of foreign journalists requested interviews with Dr Sakharov during the summit - making it impossible to satisfy their demands in his two-room Moscow flat. It provided an extraordinary contrast to the Gorbachev press conference two days earlier, at which the Soviet leader also showed himself a complete master of his brief - except for one tiny lapse when he was questioned on domestic politics and the possible opposition to his reforms.

EC ministers toughen up joint action on terrorists

BY WILLIAM DAWKINS IN MUNICH

EUROPEAN Community interior ministers yesterday agreed to toughen up joint action against the growing threat of international terrorism, including IRA attacks in continental Europe.

The accord, which includes stepping up exchange of information on terrorist groups, a UK-inspired study of possible co-operation in seizing terrorists' funds, and an exchange of forensic evidence, was hailed as one of the most substantial to come out of the so-called Trevi ministerial group on security.

It came after an exchange between Mr Douglas Hurd, UK Home Secretary, and Lord Cockfield, European Commissioner for the Internal Market, over British anxieties that Commission proposals for scrapping internal border controls would weaken the fight against terrorism.

This was only the latest sign of the growing tension between UK ministers and the commissioner.

Mr Hurd, however, described his exchange with Lord Cockfield as "a friendly brush".

National experts were asked yesterday to draw up a report on how to maintain the fight against international crime if border controls are to be relaxed, possibly to be debated at a special ministerial session on the security impact of the EC's plans for a single market.

Ministers accepted that the urgency of the issue was underlined by recent IRA attacks and attempted bombings in Europe.

"The danger that this is not just confined to the British Isles was clearly understood," said Mr Hurd.

In their communique, Trevi members condemned "recent murderous attacks" by the IRA as well as by ETA, the Basque separatist group and by the Japanese Red Army, a group operating in Italy.

Ministers accepted a scheme,

put forward by the West German interior minister, for collaboration in EC countries' police research work.

They asked security experts to report on how British plans for seizing terrorists' funds might be applied by other governments.

Yesterday's session came after talks on improving security co-operation between West Germany, Denmark and Greece, the present, past and future chairmen of the EC - and the interior ministers of seven non-Community countries.

They agreed to swap officials and information, in what is the widest international pact in the Trevi group's 12-year life.

A separate ministerial group agreed in outline that people seeking political asylum in the EC should be allowed to do so only in the country in which they first arrived.

US jobless rate rises to 5.6% in May

By Nancy Dunne in Washington

THE US jobless rate rose 0.3 percentage points to 5.6 per cent in May, the US Labor Department said yesterday, easing some fears of inflationary pressures and a tightening in the labour market.

The increase - the first since last October - came as growth in services slowed and expansion in the goods-producing sector remained flat.

Some economists said the report suggested a slowing in the US economy. Mr David Wess, chief financial economist with Data Resources, said he expected a growth rate of only 1.5 per cent in the second quarter.

"The pace of the last couple of quarters is simply not sustainable," he said.

According to one Labor Department survey, civilian employment actually fell by about half a million in May, seasonally adjusted, after rising by 680,000 in April. In the services sector, employment rose by 80,000 with job growth slowing in business services and expanding rapidly in health services.

Retail trade growth was fairly restrained. Employment in manufacturing, which has benefited from growth in exports, was lackluster. Construction employment was hurt by rising interest rates for home mortgages and an oversupply of office buildings.

Dr Janet Norwood, commissioner of the Bureau of Labor Statistics, warned that it was premature to draw any conclusions from one month's figures. The May employment rise was low by historical standards, but in past years, weak May growth has been followed by substantial expansion in June or July.

Janet Bush in New York adds: "Reaction in US financial markets to the employment release was somewhat muted, partly because interpretation of figures was made more complex by the annual revisions and updated seasonal adjustments. Money market economists expressed mixed views."

The US bond market moved modestly higher with prices showing gains of as much as 1/2 point at mid-session and the Treasury's benchmark 30-year issue quoted 1/2 point higher for a yield of 9.127 per cent.

The equity market appeared to react little. At mid-session, the Dow Jones Industrial Average stood 25 points higher at 2,953.70.

The bond market's marginally positive reaction was based on figures showing steadily declining monthly increases in employment this year and to the sharp deceleration of new jobs being added to the workforce between April and May. This was taken by some economists as evidence that the rapid pace of growth may now be slowing and that concerns about the economy overheating into higher inflation should now wane.



President Ronald Reagan, Mrs Nancy Reagan and British Prime Minister Margaret Thatcher at the Guildhall in London yesterday. Mr Reagan gave Japanese Prime Minister Noboru Takeshita a personal briefing on the Moscow summit, another sign that US-Japanese relations had improved despite long-simmering trade disputes. Mr Reagan was asked if trade was on the agenda for the meeting. "Could be," he replied.

Before leaving Tokyo, Mr Takeshita ruled out the possibility that contentious trade issues would come up during the discussion. But on Thursday, Reagan administration officials went out of their way to praise Japan for the progress the country has made in opening up its markets and boosting domestic demand.

Reagan's speech, page 4

EC opens dumping inquiries on Japanese excavators

BY DAVID BUCHAN IN BRUSSELS

THE EC Commission yesterday opened anti-dumping investigations on imports of two kinds of earth-moving vehicles from Japan, after a complaint by the Japanese excavator industry.

Noboru Takeshita makes his first visit as Japan's Prime Minister.

The new dumping investigations, which follow last week's imposition of up to 33 per cent provisional duties on Japanese computer printers, involve wheeled bucket-loaders and smaller hydraulic excavators (of less than 6 tonnes).

On behalf of 15 producers in five EC states, the European Trade Association for Manufacturers of Construction Equipment (CECE) has complained that the European industry's output, market share and profitability have suffered because of

unfairly priced Japanese imports.

According to the CECE complaint, Japanese companies have been selling at prices between 20 and 30 per cent below those of their EC competitors. It claims that sales of bucket loaders have risen from 527 in 1983 to more than 1,100 last year with a value of some ECUs 50m (£34.5m). Meanwhile EC production fell from 13,397 in 1983 to 12,530 in 1986.

The EC investigation into possible dumping of smaller Japanese excavators follows a complaint from the French construction equipment industry on behalf of five producers in France, Germany and the UK.

It alleges that some 17 Japanese excavator producers have raised their sales in the EC from 1,133 in 1983 to 5,500 (worth some

ECUs 85m) last year, by cutting their prices by 40 per cent. This has cut European producers' share of their own market from 30.8 per cent in 1983 to 14.7 per cent in 1986.

The Japanese regard it as a worrying sign that the Community plans increased external trade protection in parallel with a freer internal market by 1992.

The Community, for its part, appears to regard the recent promises of import liberalisation by Tokyo as signs that its tougher policy towards Japan is paying off.

● The European Community's trade deficit with Japan last year rose by 13 per cent from 1985 to \$24.2bn (£13.4bn), the EC Commission said yesterday. Reuter reports from Brussels.

French trade gap worsens

FRANCE'S foreign trade deficit worsened in April to FF2.1bn (£210m) after seasonal adjustments. The total deficit for the first four months of the year was FF6.4bn, compared with a shortfall of FF10.3bn in the same period of 1987, George Graham reports.

Manufactured goods showed a trade deficit of FF3.3bn in April, while food products recorded a surplus of FF3.6bn and energy a deficit of FF3.5bn.

Union Carbide to appeal Bhopal ruling

BY JAMES BUCHAN IN NEW YORK

UNION CARBIDE, the US chemical concern, said yesterday it would appeal to the Indian Supreme Court against a controversial lower court order that it pay \$132m in "interim compensation" to the victims of the Bhopal gas leak of December 1984.

The company, which is fighting a \$30m lawsuit from the Indian Government over its alleged responsibility for the leak of poison gas that caused the disaster, said yesterday that it would not pay the \$132m in compensation until a final court judgment is reached by an appeals court judge in early April.

Union Carbide claims that sabotage by a disgruntled employee at its Indian affiliate caused the release of gas which is believed to have killed more than 2,000

people and injured tens of thousands more. It also claims that it cannot be held liable for events at Union Carbide India.

The company argued yesterday that it was unfair to make the defendant in a personal-injury suit pay damages before he had been found liable in a trial.

"No evidence has been taken in district court in Bhopal or in the appeals court on the issue of liability," Mr Paul Doyle, a senior lawyer for Union Carbide said yesterday in New York.

But in a decision that appears to be without precedent, Judge S. K. Seth of the appeals court in Jabalpur ruled on April 4 that the multinational could be liable for an accident even without negligence being proved.

The US bond market moved modestly higher with prices showing gains of as much as 1/2 point at mid-session and the Treasury's benchmark 30-year issue quoted 1/2 point higher for a yield of 9.127 per cent.

The equity market appeared to react little. At mid-session, the Dow Jones Industrial Average stood 25 points higher at 2,953.70.

The bond market's marginally positive reaction was based on figures showing steadily declining monthly increases in employment this year and to the sharp deceleration of new jobs being added to the workforce between April and May. This was taken by some economists as evidence that the rapid pace of growth may now be slowing and that concerns about the economy overheating into higher inflation should now wane.

Danish Nato crisis 'over'

BY HILARY BARNES IN COPENHAGEN

MR POUL Schluter, the Danish Prime Minister, formed a new government yesterday and asserted that a crisis in his country's relations with Nato, which prompted him to call early elections, was over.

"The problem is solved," he told a news conference after presenting to Queen Margrethe the members of a three-party coalition, including his own Conservative Party, the Liberals and the Radical Liberals, a party whose members have been on foreign affairs helped precipitate the row with Nato.

The Radical Liberals were among the bloc of parties which upset Denmark's allies by passing a resolution in parliament that required the government to enforce more toughly its policy of not allowing nuclear weapons into Denmark.

London and Washington, which traditionally refuse to specify which of their ships carry nuclear arms, have suspended naval visits to Danish ports in response to the resolution.

The fact that the pro-Western Mr Schluter has brought the Radical Liberals into government indicates that a compromise formula over Nato policy has been patched together. But details of the formula will not be spelt out until a government statement on Tuesday.

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Nigeria gas project advances

BY STEVEN BUTLER

A PROJECT to export 400 tonnes of Nigerian liquefied natural gas to Europe annually, with exports beginning in 1995, moved a step forward yesterday when five European gas importers agreed to enter immediate negotiations for detailed gas sales agreements.

The agreement came at a meeting in Leeds, Kent, chaired by Mr Billwau Lukman, the Nigerian minister of petroleum resources, and negotiations are to be held with BEB (West Germany), Enagas (Spain), Ruhrgas (West Germany), SNAM (Italy), and Transgas (West Germany). British Gas and Distrigaz (Belgium) also participated in the meeting.

The project would eventually

involve some \$2bn of capital investment (in 1986 money), including pipelines and liquefaction plants in Nigeria and a tanker fleet.

Delivery costs are expected to be roughly similar to that of a long-distance pipeline.

The principal in the project is the Nigeria LNG Project Company, which is 60 per cent owned by the Nigerian National Petroleum Corporation.

Shell Gas has a 20 per cent stake, while Elf and Agip each hold 10 per cent. Shell has been designated technical leader of the project.

Gas supply for the project is to come from onshore concessions in the Niger Delta, which contains some 60 per cent of Nigeria's gas reserves.

The liquefaction plant is to be sited on Bonny Island, next to the existing Bonny Oil Terminal. Although processing and export of 4m tonnes a year is targeted for 1987, the capacity of the project could be expanded to 10m tonnes should greater demand materialise in Europe or the East Coast of the US.

Although Nigerian gas was discovered 25 years ago, an export market has yet to be reliably developed.

Gas shortages are expected to develop in the world's main gas markets by the end of the next decade.

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Peking protest

Peking university students marched into the centre of the Chinese capital early yesterday in defiance of protest ban, and plastered posters around the campus following the murder of a fellow-student Robert Thomson reports.

About 1,000 students took part in the demonstration, the first involving the university since a state of neo-democracy protests early last year.

The student, Cai Qingfeng, 22, was stabbed to death after an argument broke out with a group of youths early on Thursday.

Seven-party rebel alliance appears on the verge of collapse, writes Christina Lamb, recently in Alikhey

Afghan resistance: solid in battle, divided in victory

THE STREETS of Alikhey are littered with arms, some captured when the resistance seized the garrison two weeks ago and some brought in from Pakistan.

Unable to decide how to distribute them, commanders from the seven-party resistance alliance jealously guard piles of missiles and Kalashnikovs. A loud-speaker warns people to keep away from the weapons.

This is symptomatic of the problems of a resistance movement which counts amongst the best-equipped but least unified in history.

The very tenacity and independence of the Afghan guerrillas which ensured that the Soviet army could never defeat them, now threatens the future of the resistance alliance.

Reports come in daily of more posts falling to the resistance and Afghan troops defecting. Yet the last thing the resistance leaders seem ready for is victory. Even as the first Soviet troops left

Afghanistan, the fragile seven-party alliance was threatening to shatter.

An important date is June 15 when the term of the fundamentalist leader, Mr Gulbuddin Hekmatyar, as official spokesman of the alliance, comes to an end.

It is widely thought that he will refuse to hand the post over to the moderate Mr Pir Gollani, in which case a split between the three "moderate" and four "fundamentalist" parties is inevitable.

According to Mr Hamid Karzay, spokesman for the moderate Afghan National Liberation Front, a statement has already been prepared, announcing the party's defection. At issue is whether the new Afghanistan should be a fundamentalist Islamic republic as favoured by Mr Hekmatyar, or the traditional royalist state desired by the moderates.

Some moderates have long suspected the motives of Mr Hekmatyar, leader of the fundamentalist



Gulbuddin Hekmatyar: may refuse to hand over

keep the alliance together. But the time has come for us to speak out."

Two years ago Mr Hekmatyar was receiving 40 per cent of the US, Saudi and Chinese arms distributed by the Pakistan government, while ANLF received only 4 per cent. This largesse earned him many supporters, their allegiance often vanishing once they had crossed the border.

Now most of the arms have been shifted inside Afghanistan to comply with the Geneva accord. Mr Hekmatyar's influence may be waning; his party has few good field commanders, and in a country where ancestry is all-important, an increasing number of Afghans are asking of Mr Hekmatyar: "Who is his father?"

In the last nine years of fighting no unifying political leader has emerged. Disillusioned by both the personal ambitions and luxurious lifestyles of the Peshawar-based leaders, which contrast sharply with the often appalling conditions in the refugee camps, people are once more turning to their tribal leaders for guidance.

Meetings have been taking place both inside refugee camps and inside Afghanistan, some demanding a return of ex-King Zahir Shah, deposed in 1973.

Mr Karzay maintains that the king is not loved by the people but he is seen as the only person who can give them the security they so desperately need. Many commanders have joined in the call for the return of the king. A recent meeting of commanders and tribal elders from 11 provinces sent an influential tribal leader to discuss terms with Zahir Shah in Rome.

Royalist commanders are planning a *Lot Jirga* (a traditional Afghan decision-making forum comprising tribal elders, religious leaders, scholars and politicians) to be held in the royalist stronghold of Kandahar.

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The seven-party group is more and more an alliance in name only. While Mr Hekmatyar holds press conferences in the name of the alliance to talk about an interim government, the three moderate parties say they reject the idea.

They feel that the formation of a government which has not been sanctioned by the majority of Afghans would amount to a division of the country, with one government in Kabul recognised by the Eastern bloc, and another in the south.

An unknown factor is how the Jamiat Party, which belongs in the fundamentalist camp but is considered more pragmatic than Mr Hekmatyar's group, would react to a split in the alliance.

Recently its leader, Professor Barhanuddin Rahbani, has adopted a markedly softer approach, saying he will not oppose the king militarily and sees no point in attacking the departing Soviet forces.

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OVERSEAS NEWS

Pretoria bridles at Castro's Angola bravado

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA - which scuttled the Commonwealth Eminent Persons Group initiative in 1986 rather than accept an accelerated timetable for talks with the African National Congress - is showing similar irritation with the great powers for agreeing during the Moscow summit a target date of September 29 for ending the war in Angola.

While Mr P. W. Botha, the Foreign Minister is balking at the idea of a European rather than African venue for the next round of four-power talks involving Angola, Cuba, South Africa and the US, General Magnus Malan, the Defence Minister, has bridled at recent remarks by Mr Fidel Castro, the Cuban leader.

Mr Castro is reported as having confirmed that crack units of the Cuban army and top pilots had

been sent to Angola and were pushing south towards the Angolan-Namibian border, where they intended to set up a new airbase. He also hurt South African military pride with his claim that South Africa had agreed to come to the negotiating table only because Cuban forces had inflicted heavy losses during battles around Cuito Cuanavale. This contradicted South African military claims that it lost only 31 men, the odd aircraft and a few armoured vehicles in heavy fighting, alongside its UNITA allies, in which up to 10,000 Angolan and Cuban soldiers were killed.

"Castro's provocative intransigence could be a major stumbling block in the way of the peace initiative," General Malan com-

mented, noting the contrast with what he called the pragmatism of the Angolan MPLA government and the Soviet leadership. "Castro's aggressive bravado could result in South Africa being forced to reconsider its good intentions in the peace attempts," he warned.

The general's refusal "to be blackmailed into negotiations" has strengthened the doubts of US and other Western governments about the real willingness of South Africa to grant independence to Namibia under the terms of UN resolution 435. This provides for elections to a constituent assembly under United Nations surveillance and would probably give a majority to the South West Africa People's Organisation under Mr Sam Nujoma. Swapo's military wing

has been fighting a guerrilla war for independence from bases in southern Angola for over two decades.

But the prospect of an avowedly Marxist government in Windhoek is only one of the bitter pills Pretoria would have to swallow in return for the withdrawal of Cuban forces and Soviet bloc advisers from Angola and a "neutral and non-aligned" coalition government in Luanda. For the South African Defence Force the loss of Namibia would not only bring the borders with independent black African states south to the line of the Orange river, it would also mean the loss of military bases in the Caprivi Strip and elsewhere from which Pretoria is able to intimidate half the continent.



Fidel Castro: hurt South African military pride

Israelis halt gardeners' 'subversive' self-help plan

Andrew Whitley on the military's anger at a popular Palestinian agronomy project

THEY ARRIVE at the little concrete blockhouse a few hundred yards from the Biblical Shepherds' Field, near Bethlehem, in a steady trickle from the early morning onwards. Some want a shekel's worth (about 40 pence) of seeds, others ant poison, others again simply want to talk to Dr Jad or one of his helpers about the problems they are having with the fruit saplings they bought the previous week.

Dr Jad Isaac, a graduate of the University of East Anglia and member of the Food Research Institute at Norwich, is a political subversive, say the Israeli authorities. He was called in for questioning by the military earlier this week and told, in no uncertain terms, that his agricultural self-help centre had to close.

"No more games," he was warned by an investigator. "Your work is dangerous to the security of the area." The implied threat was that failure to comply would make him liable for administrative detention, six months' imprisonment without trial.

The object of the Shin Bet's attention is a rudimentary garden centre-cum-agricultural extension school, working on a tiny profit margin to encourage on-of-work Palestinians to return to the land. Inside the blockhouse, insecticide is doled out in small plastic vials, manageable amounts for someone growing his first crop of tomatoes on a tiny plot outside, chicken butches and irrigation drip piping - all bought from Israel - burn in the hot sun.

Last month police arrested four white ANC guerrillas armed with rocket launchers and other weapons in a house only 5 kms from the atomic energy research reactor at Pelindaba north of Johannesburg.

was delivered. Jeep-loads of soldiers would be stationed outside his house - a commodious, fancy villa in the modern Arab style - at all hours of the day and night, revving their engines and sounding their horns. At night, powerful flashlights would be played on his bedroom window.

Yesterday, as the halting Palestinian agronomist anxiously debated the future of the business he and three other whistling friends spontaneously

Settlers shoot dead West Bank Arab

Jewish settlers killed a West Bank villager yesterday as Palestinians began a three-day strike to protest against a return Middle East peace mission by US Secretary of State George Shultz. Reuter reports from Jerusalem.

Mustapha Ahmed Odeh al-Khalik, 20, was killed by a single bullet in the chest fired when settlers clashed with residents of Shorukh village near Hebron, according to Palestinians.

Most Arab shops in the occupied areas were closed in response to the strike call.

decided to set up two and a half months ago, clubbing together to put in \$15,000 of their own money, another of the group was summoned by the military government.

These are solid citizens approaching middle age, these four members of what the Israelis suspect as being the sinister agricultural branch of a network of "popular committees" springing up across the West Bank and Gaza Strip.

Apart from Dr Isaac, a lecturer at Bethlehem University well known before the *intifada* for his agricultural extension work, one is a wealthy civil contractor, another a teacher and the last an agricultural engineer. None had a previous record of political activity.

"All we have in common," protested the former East Anglia graduate student, "is our love of gardens, our close friendship and our love of cards."

In some cases, these local committees - responsible for such activities - mundane but essential - as street cleaning and welfare, have succeeded in replacing the moribund civil administration for the occupied territories. And, in truth, it is this which has really unnerved the Israeli authorities, bent on restoring the Palestinian population's dependence on themselves as fast as possible.

"It is permitted for the Europeans and Americans to help us, but not for us to help ourselves," laughed the schoolteacher. "Agriculture is the main sector of the West Bank economy. The Israelis should be paying us to do this, not trying to close us down."

Court move threatens SA strike

BY ANTHONY ROBINSON IN JOHANNESBURG

ANGLO American Corporation, South Africa's biggest mining house, last night took legal action against senior officials of the National Union of Mineworkers in a bid to prevent workers taking part in a three-day "national peaceful protest".

Millions of black workers in factories, mines and workshops throughout the country are expected to join the protest on Monday, Tuesday and Wednesday. It was called by the Congress of South African Trade Unions last month to protest against the government's ban on 17 anti-apartheid organisations and proposed legal restrictions on the trade unions.

Senior officials from Cosatu

and the smaller black consciousness-orientated National Council of Trade Unions have been careful to leave the terms of the protest vague and not call openly for a strike or stayaway. At local level, however, Anglo and other employers, claim that shop stewards are unequivocally urging their members to strike and threatening workers who do not respond. This, Anglo claims in a move against union officials in its Orange Free State mines, would constitute an illegal strike in violation of the recognition agreement between Anglo and the NUM.

Other major employers, including the engineering federation Seisa, and Sasol, the giant oil-

from-coal corporation, have also warned workers that participation in strike action next week could lead to fines or dismissal.

Management's hard-nosed response to the prospect of major economic dislocation next week reflects a generally tougher management line against the unions since last year's damaging three-week gold mine strike.

Employers' organisations are worried about the impact of a three-day stayaway, particularly since the action would come shortly before traditional protest days in opposition to the two-year-old national state of emergency on June 12 and the June 16 anniversary of the 1976 Soweto riots.

Bomb outside bank near Johannesburg kills four

BY ANTHONY ROBINSON

A BOMB exploded in a lunch-time crowd outside a bank in Rodepoort, near Johannesburg, yesterday killing three black men and a white woman and injuring 19 others.

The blast was the latest evidence of a rising tide of urban terrorist attacks on civilian targets in which 14 people have been killed and another 88 injured since the beginning of this year.

Many of the bombings and grenade attacks have taken place in the black townships outside magistrates' courts,

town halls and banks in white areas and close to South Africa's parliament in Cape Town.

The African National Congress, whose stated policy is only to attack military or state targets and not civilians, has claimed responsibility for most of the blasts.

Last month police arrested four white ANC guerrillas armed with rocket launchers and other weapons in a house only 5 kms from the atomic energy research reactor at Pelindaba north of Johannesburg.

Compromise hope in New Caledonia

By Ian Davidson in Paris

LEADERS of the European and Melanesian communities in the French Pacific territory of New Caledonia, long at war over the choice of independence or loyalty to France, have started talking of compromise, based on the idea of provisional partition, under French sovereignty.

The idea has been launched by Mr Jacques Lafleur, leader of the European pro-Gaullist RPRC party, and cautiously welcomed by Mr Jean-Marie Tjibaou, leader of the Melanesian independentist party FLNKS.

Mr Lafleur proposed the creation of three districts, of which one, in the south and south-west would be dominated by the Europeans, and the other two, in the north and the Loyalty Islands, would be dominated by Melanesians. After 10 years, these districts would vote on independence.

Mr Tjibaou said he would agree to the proposal if the transitional period opened the way to independence.

Mr Lafleur's proposal coincides with the closing phase of the visit of the six-man team sent out to make proposals to the new Socialist government.

French-NZ chill is 'easing'

By Dai Hayward in Wellington

THE DIPLOMATIC chill between France and New Zealand since the bombing of the Greenpeace vessel Rainbow Warrior in Auckland Harbour three years ago appears to have thawed considerably.

A meeting in New York between Mr Roland Dumas, France's Foreign Minister, and his New Zealand counterpart, Mr Russell Marshall, to discuss the future of the convicted Rainbow Warrior bombers, Major Alain Mafart and Captain Dominique Prieur, was held "in an aggressively better climate", Mr Marshall said.

Major Mafart and Capt. Prieur were sentenced to jail in New Zealand, but were transferred to the South Pacific atoll of Hao under an agreement negotiated by Mr Javier Perez de Cuellar, the UN Secretary-General.

The agents were returned to Paris by Mr Jacques Chirac, the former French Premier, just before the recent presidential election. New Zealand wants the two returned to Hao.

Both sides agreed they had "vigorously" seek a solution to the Rainbow Warrior issue.

Call for Australian immigration reform

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA should focus more attention on skills in its immigration programme and introduce new selection criteria for immigrants, a government advisory committee has recommended.

The committee's report was tabled in parliament yesterday and focuses on a sensitive political issue.

The character of Australia's immigration has changed since the Second World War as central European and Asian settlers have joined the country's predominantly Anglo-Celtic population.

The Government said yesterday it had made no decisions on the committee's proposals, but last month, in evident anticipation of the report, it increased the number of immigrants allowed into the country in the financial year ending this month.

The increase, from 120,000 to 132,000, is being taken up by business immigrants and skilled workers. According to the committee, skill levels are critical if immigration is to contribute to economic performance.

The committee proposes an "open" category of immigration beyond family immigration and the refugee and humanitarian programmes. Selection would be based on seven sets of criteria, in a specified order.

Priority would be given to labour market skills and entrepreneurial and special talents. These would be followed by age, language capacity, kinship in Australia, other links with Australia and the attributes of the prospective immigrant's spouse.

On numbers, the committee says there should be a programme of 150,000 immigrants a year from 1988-89 to 1990-91. In the first three years this should consist of 95,000 in the "open" category, 15,000 under the refugee and humanitarian pro-

gramme and 40,000 under family immigration.

The committee was headed by Dr Stephen Fitzgerald, a former ambassador to China.

On existing policies, it says that, without immediate reform, current selection mechanisms will deliver many tens of thousands of immigrants more than the planned programme.

What is more serious, it says, is that public support for immigration is threatened by widespread mistrust and a falling consensus. The programme, it says, is not identified in the public mind with the national interest, and must be given a convincing rationale.

People were concerned about immigration numbers, the composition of the intake and the immigrant's role in changing Australian society.

Race was an issue "requiring attention". The committee says there is "confusion and mistrust" about multi-culturalism, a cornerstone of Australian immigration policy. "Many people, from a variety of occupational and cultural backgrounds, perceived it as divisive," it says.

It says the status of Australian citizenship is undervalued, with a million immigrants having declined to take it up.

"Government should move to restrict the non-survival benefits and privileges available to non-citizens," it recommends.

It recommends that selection methods be given a sharper economic focus, so that the public becomes convinced that the programme is in Australia's interests.

"Improving the skills level of immigrants is critical if immigration is to contribute to enhanced economic performance and improvements in living standards in the longer term," it says.

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THE PRESIDENT'S SPEECH UK NEWS

Reagan hails new era in superpower relations

The following are extracts of President Reagan's speech to the Royal Institute of International Affairs at Guildhall in London.

"I WONDER if you can imagine what it is for an American to be standing in this place, back in the States, we are terribly proud of anything more than a few hundred years old; some even see my election to the Presidency as America's attempt to show our European cousins that we too have a regard for antiquity."

I have come from Moscow to report to you for, truly, the relationship between the United States and Great Britain has been critical to NATO's success and the cause of freedom."

The people of Great Britain, the United States, and other allied nations have, for 44 years, made enormous sacrifices to keep our alliance strong and our military ready. For them, we embarked in this decade on a new postwar strategy, a forward strategy of freedom, a strategy of public candour about the moral and fundamental differences between statism and democracy but also a strategy of vigorous diplomatic engagement. A policy that rejects both the inevitability of war or the permanence of totalitarian rule; a policy based on realism that seeks not just treaties for treaties' sake but the recognition and resolution of fundamental differences with our adversaries."

The pursuit of this policy has just now taken to Moscow and let me say: I believe this policy is bearing fruit. Quite possibly, we are beginning to take down the barriers of the postwar era; quite possibly, we are entering a new era in history, a time of lasting change in the Soviet Union. We will have to see. But if so, it is because of the steadfastness of the allies - the democracies - for more than 40 years, and especially in this decade."

The history of our time will undoubtedly include a footnote about how, during this decade and the last, the voices of retreat and hopelessness reached crescendo in the West - insisting the only way to peace was unilateral disarmament; proposing nuclear freezes; opposing deployment of counterbalancing weapons such as intermediate-range missiles or the more recent concept of strategic defence systems. These same voices ridiculed the notion of going beyond arms control - the hope of doing something more than merely establishing artificial limits within which arms build-ups could continue all but unabated. Arms reduction would never work, they said, and when the Soviets left the negotiating table in Geneva for 15 months, they proclaimed disaster."

And yet it was our double-zero option, much maligned when first proposed, that provided the basis for the INF treaty, the first treaty ever that did not just control offensive weapons but reduced them and, yes, actually eliminated an entire class of US and Soviet nuclear missiles."

This treaty, last month's development in Afghanistan, the changes we see in the Soviet Union - these are momentous events. Not conclusive. But momentous."

And that is why, although his-

tory will duly note that we, too, heard voices of denial and doubt, it is those who spoke with hope and strength who will be best remembered. And here I want to say that through all the troubles of the last decade, one such firm, eloquent voice, a voice that proclaimed proudly the cause of the Western alliance and human freedom, has been heard - a voice that never sacrificed its anti-Communist credentials or its realistic appraisal of change in the Soviet Union. But because it came from the longest serving leader in the alliance, it did become one of the first to suggest that we could "do business" with Mr Gorbachev."

So let me discharge my first official duty here today. Prime Minister, the achievements of the Moscow summit as well as the Geneva and Washington summits say much about your valour and strength and, by virtue of the office you hold, that of the British People. So let me say, simply: At this hour in history, Prime Minister, the entire world salutes you and your gallant people and gallant nation."

In a process reaching back as far as the founding of NATO and the Common Market, the House

'Imagine, the President of the United States and the General Secretary of the Soviet Union walking together in Red Square talking about a growing personal friendship'

of Western Europe, together with the United States, Canada, Japan, and others this House of Democracy engaged in an active diplomacy while sparking a startling growth of democratic institutions across the free world. At the same time, the frontiers of freedom and a lessening of the chances of war."

So it is within this context that I report now on events in Moscow. On Wednesday, at 8:20 Greenwich time, Mr Gorbachev and I exchanged the instruments of ratification of the INF treaty. So, too, we made tangible progress toward the Start treaty on strategic weapons. Such a treaty, with all its implications, is, I believe, now within our grasp. But part of the realism and candour we were determined to bring to negotiations with the Soviets meant refusing to put all the weight of these negotiations and our bilateral relationship on the single issue of arms control. As I never tire of saying, nations do not distrust each other because they are armed, they are armed because they distrust each other. So, equally important items on the agenda dealt with critical issues, like regional conflicts, human rights, and bilateral exchanges."

With regard to regional conflicts, here, too, we are now in the third week of the pull-out of Soviet troops from Afghanistan. The importance of this step should not be underestimated. Our third area of discussion was bilateral contacts between our

peoples. An expanding program of student exchanges and the opening of cultural centres - progress towards a broader understanding of each other."

And finally, on the issue of human rights - granting people the right to speak, write, travel, and worship freely, there are signs of greater individual freedom. Now originally I was going to give you just an accounting on these items. But, you know, on my first day in Moscow, Mr Gorbachev used a Russian saying: Better to see something once than to hear about it a hundred times. So if I might go beyond our four-part agenda today and offer just a moment or two of personal reflection on the country I saw for the first time."

In all aspects of Soviet life, the talk is of progress toward democratic reform, in the economy, in political institutions, in religious, social, and artistic life. It is called *glasnost* - openness. It is *perestroika* - restructuring. Mr Gorbachev and I discussed his upcoming party conference where many of these reforms will be debated and, perhaps, adopted. Such things as official accountability, limitations on length of service in office, an independent judiciary, revisions of the criminal law, and lowering taxes on co-operatives. In short, giving individuals more freedom to run their own affairs, to control their own destinies."

To those of us familiar with the postwar era, all of this is cause for shaking the head in wonder. Imagine, the President of the United States and the General Secretary of the Soviet Union walking together in Red Square talking about a growing personal friendship, meeting, eating, average citizens, realising how much our people have in common."

It was a special moment in a week of special moments. My personal impression of Mr Gorbachev is that he is a serious man seeking serious reform."

And yet, while the Moscow summit showed great promise and the response of the Soviet people was heartening, let me interject here a note of caution and, I hope, prudence. It has never been disputes between the free peoples and the peoples of the Soviet Union that have been at the heart of postwar tensions and conflicts. No, disputes among governments over the pursuit of statism and expansionism have been the central point in our difficulties."

Now that the allies are strong and expansionism is receding around the world and in the Soviet Union, there is hope. And we look to this trend to continue. We must do all that we can to assist it. And this means openly acknowledging positive change."

But let us also remember the strategy that we have adopted is one that provides for setbacks along the way as well as progress. Let us embrace honest change when it occurs; but let us also be wary. And ever vigilant. And let us be confident, too. Prime Minister, perhaps you remember that upon accepting your gracious invitation to address the members of the Parliament in 1983, I suggested that the world could well be at a turning point when the two great threats to life in this century - nuclear war and totalitarian rule - might now be overcome. In an accounting of what might lie ahead for the Western alliance, I suggested that the first evidence of the totalitarian experiment was now in and that this evidence had led to an uprising of the intellect and will, one that reaffirmed the dignity of the individual in the face of the modern state."

But as we move forward, let us not fail to note the lessons we have learned along the way in developing our strategy. We have learned the first objective of the adversarial freedom is to make free nations question their own faith in freedom, to make us think that adhering to our principles and speaking out against human rights abuses or foreign aggression is somehow an act of belligerence. Over the long run, such inhibitions make free peoples silent and heartless about their cause. This is the first and most important defeat free nations can ever suffer. For when free peoples cease telling the truth about and to their adversaries, they cease telling the truth to themselves. In matters of state, unless the truth be spoken, it ceases to exist."

It is in this sense that the best indicator of how much we care about freedom is what we say about freedom; it is in this sense, words truly are actions. And there is one added and quite extraordinary benefit to this sort of realism and public candour: This is also the best way to avoid war or conflict. Too often in the past, the adversaries of freedom forgot the reserves of strength and resolve among free peoples, too often they interpreted conciliatory words as weakness, too often they miscalculated - and underestimated the willingness of free men and women to resist to the end. Words of freedom remind them otherwise."

This is the lesson we have learned, the lesson of the last war and, yes, the lesson of Munich. But it is also the lesson taught us by Sir Winston, by London in the Blitz, by the enduring pride and faith of the British people."

Merseyside woos City investors on Boom trip

By Ian Hamilton Facey, Northern Correspondent

"MANY PEOPLE were cynical on the way up here. I think we are all going to be much less so on the way back," said Mr Roger Gwollb yesterday at the end of two days intensive sightseeing, eating, drinking, entertainment and discussions on Merseyside."

Mr Gwollb, a financier with City and Industrial Securities, was one of 120 business leaders from London invited to the region by Boom - Business Opportunities On Merseyside. The trip was paid for by Boom's private sector supporters, all determined to prove that the area is a suitable place for investment."

Seven years ago Mr Michael Heseltine, the then Environment Secretary, tried something similar as he struggled to redefine the Government's inner-city policy in the wake of the Tootsie riots. He and his staff cajoled captains of industry, commerce and the City to turn up and get 40 of them, enough to fit into what became known as his "moneybus."

It is a symptom of how things are changing that Boom, until it was Mr Geoffrey Piper of Deloitte, Haskins and Sells, one of the biggest accountancy practices in Liverpool, had to charter a special train this time to carry people from the capital and to hire a fleet of buses to move them to the region."

Indeed, the core of the tour comprised a series of "Heseltine initiatives" - the Albert Dock, the new Tate Gallery, Wavertree Technology Park and the Merseyside Development Corporation. However, unlike in recent years, the City of Liverpool played an enthusiastic part, with a civic dinner last night at which Mr Keva Coombes, the Labour leader, pledged wholehearted co-operation with the private sector."

A participant in a discussion in Liverpool University's senate room said: "We have come up from the south and I get the impression that we are being asked to believe that militant floated through Liverpool like a cloud across the sun and has now gone. I find that difficult to cope with."

Mr Michael Parkinson, head of the centre for urban studies and the university's guru on Liverpool council budget crises and matters left-wing, said that militant was a minority, spent force now excluded from all positions of power by a restructuring of Labour party. Professor Graeme Davies, the vice-chancellor and another prize boomer, concurred."

What was generally agreed was that Merseyside's problems were now more concerned with public relations and promotion than with the physical fabric. One of British Rail's senior trippers confirmed, for example, that industrial relations in the area were the least of his worries compared with other places."

Mr George Knowles, commercial attaché to the US Embassy, thought that the trip had broken new ground in public relations for industrial development. "Swansons put on a very good show in London promoting itself but it does not compare with this," he said.

"This has been memorable. More important is that lots of American companies are looking for UK partners. I have discovered that there are hundreds of businesses here we just have not got in our computer."

Mr Gwollb said: "Three years ago I would not have accepted an invitation for a trip like this. I would have liked to have met more Merseyside businessmen to assess the prospects for investment here, but it has been worthwhile."

Mr Piper said: "I suspect that many people here have rejected the region out of hand before now. The best we can hope to have achieved is to tip the balance a little. I hope we have done it."

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

BMW launches 5-series range

BMW, the West German luxury and performance car maker, yesterday launched its new 5-series range in the UK with a line-up capturing around 9 per cent of the British executive car market. It estimates that more than two-thirds of UK sales of the 5-series, which is priced between £15,955 and £26,395, will be to business users, and it has established a corporate sales team to improve its penetration of the crucial fleet, leasing and contract-hire market.

Competition in the UK executive car market has been intensified by the introduction this year of several models including the Rover 600 Fastback, a saloon version of the Saab 900 and a revised Audi 100.

The executive car segment, defined by BMW as including all four and five-door models of

Ferranti-led consortium wins RAF laser contract

BY DAVID WHITE, DEFENCE CORRESPONDENT

A UK consortium led by Ferranti has beaten US competitors for a contract to supply the Royal Air Force with advanced laser equipment for its Tornado low-level fighters.

The order is reckoned to be worth more than £50m, including support, and further deals are being negotiated with other countries operating the Anglo-German-Italian aircraft.

The consortium of Ferranti, British Aerospace and GEC Sensors clinched the deal against bids by Martin Marietta and Ford Aerospace of the US, both of which have in-house capacity for such equipment. Thomson-CSF, the French electronics group, is also understood to have bid for the contract.

Details of the price and the number of units to be supplied

were withheld for fear of compromising export negotiations. The advanced laser designator pods, designed to identify targets by day or night, are for use with the RAF's squadrons of Tornado GR1 combat aircraft, and are designed to be compatible with current and planned laser-guided weapons.

They will replace the obsolete US-supplied Paveway designator, currently deployed on Buccaneer aircraft, which relies on a TV camera and can only be used in daytime.

The consortium's Thermal Imaging Airborne Laser Designator (TIALD) equipment is undergoing trials at the Royal Aerospace Establishment at Farnborough.

It includes infra-red imaging equipment already chosen as a night-flying device for the Tor-

nado GR1 as well as the Harrier GR5 and the US version of the Harrier, the AV-8B, in service with the US Marine Corps.

The Ministry of Defence said that TIALD's small size and light weight were decisive in the choice.

The contract conditions, based on a fixed price, are in line with the ministry's policy for placing the risk in the hands of the prime contractor, in this case Ferranti.

The ministry said the deal would bring investment and secure existing jobs. Ferranti Defence Systems will make the pod itself and has responsibility for integration of the system, which relies on thermal imagers from GEC and automatic target tracking equipment from British Aerospace, enabling the aircraft to lock on to an image.

Head teachers will investigate GCSE examination concerns

BY DAVID THOMAS, EDUCATION CORRESPONDENT

THE NATIONAL Association of Head Teachers is to launch an inquiry into the new 16-plus General Certificate of Secondary Education because many of its members are concerned about how the examination is operating.

Mr John Swallow, a head teacher from Ongar in Essex and a member of NAHT's national council, said the association had received well over 100 complaints from heads about the GCSE.

He told the association's annual conference in Eastbourne that he would not elaborate on the complaints in case they worried pupils and parents involved

in this year's exams. However, the heads' main concerns are understood to centre on the burdens of GCSE course work, with some anxiety also about variations in standards across the country.

Mr Graham John, a Birmingham head teacher, complained that not enough resources were available for introducing the new exams. He told the conference: "It's a geographical lottery for pupils. It depends where you live how much money is spent on it."

The association will start a review of the GCSE once this year's exam is over, with the

intention of producing a report by the autumn. It hopes to discuss this with examination authorities and the Department of Education and Science.

However, Mr Kenneth Baker, Education Secretary, strongly defended the new exam, arguing that it was right to put extra demands on pupils. He pointed to anecdotal evidence that more pupils were entering to stay in education beyond 16 as a result.

He added that £100m had been spent on introducing the GCSE last year and £20m-£30m was earmarked for this year.

Ashdown labels rival Tory

MR PADDY ASHDOWN, the front-runner in the Social and Liberal Democrats' leadership contest, described rival Mr Alan Beith as "too Tory and Owenite."

He warned that the SLD could find itself the "soggy salad in the sandwich of British politics."

Mr Ashdown, the party's education spokesman, said of Mr Beith: "He says he wants to get votes from the Tories. But how?"

"What he suggests appears dangerously similar to (SDP leader) David Owen - speak - you win Tory seats by attempting to become like the Tories."

"I believe we will win only by offering a credible alternative to the Tories."

BY DAVID LASCELLES

CHASE MANHATTAN is making 25 people redundant in its London institutional equity department because of declining volumes.

The New York banking group said the redundancies were part of a plan to focus activities on areas of the market where it could provide full research and market-making services.

The redundancies include 11 market makers in equity and fixed income manufacturing and retailing stocks.

These are the first job losses at Chase since last October's market crash. Chase expects to transfer three traders to other parts of the group. It may also hire new people with skills in the market sectors in which it has decided to specialise.

BY ANTHONY MORETON, WELSH CORRESPONDENT

EC link for Welsh agency

THE WELSH Development Agency has appointed Coopers & Lybrand Belmont, an information consultancy group, to act as its representative to the European Community in Brussels.

Mr David Waterstone, chief executive, said the intention was to keep the agency abreast of developments emanating from the EC. The agency also wanted to be in a position to make an effective Welsh contribution dur-

ing the preparatory stages of Community policy-making. Coopers & Lybrand Belmont was formed recently between the British firm of accountants and Belmont, a Brussels-based information consultancy.

Around 600 jobs will be created by factories opening on a 15-acre site at Ystradgynlais, near Swansea, the Mid Wales Development Board announced yesterday.

Reaction mixed to new rules on clearing

By David Barclay

BUILDING SOCIETIES yesterday gave a mixed welcome to moves announced on Thursday by the UK clearing banks relating to the requirements for joining the clearing system through which money payments are transmitted.

"This decision means that only the top nine building societies or so can join the clearing system and none of them below the top three can join Eftpos," said Mr Howard Aiken, general manager of Electronic Funds Transfer, the company that organised a group application to the clearing system by seven building societies. Eftpos is a card-based electronic point-of-sale payment system being jointly developed by the banks at a cost of several billion pounds.

The Association for Payment Clearing Services (Apacs) said on Thursday that it would not accept a group application but instead would allow new members to join Bacs, the company that clears high-volume electronic payments. If they had more than 5m transactions a year, about a third of the previous requirement.

This change means that larger societies such as Leeds Permanent and Woolwich will be able to join, but it excludes some of the seven societies that made the joint application, notably Cheltenham & Gloucester and Bristol & West.

Mr Richard Hatt, Assistant General Manager of Cheltenham & Gloucester, said yesterday that he was very disappointed by the decision.

"However, we have not given up hope," he said. "There is to be an EFT meeting next Wednesday at which the matter will be discussed again."

Mr Mick Williamson, deputy chief executive of Apacs, said it was unlikely there would be any further change.

"The line has to be drawn somewhere and there will always be someone below it," he said. "We have made a very substantial adjustment to our entry requirements."

One solution being canvassed by some building societies yesterday was that smaller societies might clear the transaction requirement hurdle by piggy-backing with one society agreeing to process the transactions of another.

This is unlikely to be acceptable to Bristol & West and Cheltenham & Gloucester because they are strong regional competitors.

There is also some regret that Apacs has not eased the requirements for entry into Eftpos, which is due to be launched next year. It appears that the three largest building societies, Halifax, Abbey National and Nationwide Anglia, will remain as the only members.

Biggin Hill to change hands

By Michael Dornie, Aerospace Correspondent

THE MANAGEMENT contract for Biggin Hill airfield, near Bromley in Kent, is being passed by Bromley Borough Council to Airports UK, the airport management organisation which is part of the BAA group (formerly the British Airports Authority).

The airport, which was a famous fighter airfield during the Second World War and is now a business aircraft centre for London and the south-east of England, has until now been managed by the Bromley council and a private company, Surrey Aviation.

Mr Chris Barlow, managing director of Airports UK, said yesterday that his company would aggressively market the airport for corporate business aircraft users, particularly in Europe, and would seek to improve facilities.

FINANCIAL ADVISER

An announcement to the readers of Financial Adviser:

An unofficial industrial dispute at the Post Office that handles the distribution of Financial Adviser has resulted in a delay in the delivery of some copies of this week's newspaper.

The Publisher and Editor of Financial Adviser very much regrets this delay, and apologises to both readers and advertisers.

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High Low	Company	Price	Change	Yield
226 185	As. Brit. Ind. Ordinary	226.00	0	8.7
226 186	As. Brit. Ind. CHLS	226.00	0	10.0
40 25	Armstrong and Whitworth	40.00	0	12.1
57 50	B&B Design Group (ISSA)	57.00	-3	2.1
162 155	Bancor Group	162.00	0	2.7
109 100	Bancor Group Cons. Pref.	109.00	0	6.7
165 137	Bancor Group Cons. Pref.	165.00	0	11.0
107 100	Brenntag Cons. Pref.	107.00	-3	12.3
266 264	CL Group Ordinary	266.00	-2	14.7
140 124	CL Group 11% Cons. Pref.	140.00	-2	14.7
151 129	Carbo Pte (S&P)	151.00	0	10.3
112 100	Carbo 7.5% Pref. S&P	112.00	0	10.3
231 147	George Blair	231.00	-1	3.7
97 45	Midwest	97.00	0	3.4
96 87	Johnson Group	96.00	0	3.4
340 245	Natwestbank NY (AmSD)	340.00	0	10.4
242 40	Robert Jenkins	242.00	0	2.7
292 124	Servotronics	292.00	0	2.0
204 194	Torley & Carlisle	204.00	-1	8.0
82 56	Treasury Holdings (ISSA)	82.00	-1	2.0
268 100	Universal Europe Cons. Pref.	268.00	0	0.0
283 283	W.S. Yates	283.00	0	16.2

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UK NEWS

Michael Donne on a BA experiment to sample passengers' views

Airlines step up pressure on smokers

BRITISH AIRWAYS has extended until the end of this month its experiment with no-smoking flights on the London-Glasgow shuttle, to provide a wider sample of passengers' views before deciding for or against any permanent ban.

The London-Glasgow trial began at the end of April and was due to end last week. Other experimental bans will operate on flights from Heathrow to Vienna and Gothenburg for one month from June 6, and on some Heathrow-New York and Gatwick-Los Angeles flights, also for one month, from November 7.

Although BA stresses that it retains an open mind on the issue, its experiments are only a small part of what is an accelerating campaign against smoking throughout the airline industry.

This trend is partly due to recognition of the damage to health, not only for the smoker but through "passive smoking" - inhaling someone else's fumes - at places of work and on public transport. For airlines, there are also safety considerations.

Airlines and regulatory agencies have taken action to try to prevent fires caused by smoking or fuel ignited in crashes. These measures include fire-resistant materials, smoke detectors in toilets and cabin extinguishers.

However, it is accepted that flying can be a worrying experience for some travellers and that drugs such as nicotine and alcohol can help to allay fears. As a result, most airlines continue to offer a choice of seating.

Nevertheless, pressures for strengthening no-smoking restrictions are increasing. The International Air Transport Association estimates that whereas 15 years ago up to 60 per cent of airline seats worldwide went to non-smokers, today the figure is

IN THE US all flights of less than two hours became no-smoking by law from April 23. One airline, Northwest, has banned smoking on all its North American flights. California has a ban on all flights within the state.

Air Canada has designated all flights of up to two hours as non-smoking since last December 5. Canadian Airlines International bans smoking on all its short-haul Boeing 737 flights.

The Australian Government

closer to 80-85 per cent.

In response to the pressures, the bans are increasing. In Britain, Air UK has been a no-smoking airline since March 27, following trial flights and an in-flight survey in which 77 per cent favoured a total ban.

Recently, Gurnsey Airlines banned smoking on its Gatwick-Guernsey flights.

British Airways is therefore well behind other airlines in moving against smoking. Its experiments are to see if they confirm preliminary research which showed a majority of passengers in favour of tougher no-smoking rules, and led the airline to claim that fewer than one in 10 passengers would oppose a permanent ban.

Initially, the UK smoking lobby, led by Forest - Freedom Organisation for the Right to Enjoy Smoking Tobacco - claimed that "the only fair and objective way of assessing passengers' opinions on in-flight smoking would be to put all the possible options before a representative sample and let it decide between them."

This is what BA believes it is doing by conducting the experiments. Nevertheless, Forest has reacted strongly. On May 24 it

banned smoking on internal flights from last December 1, while other countries with such bans include Turkey and Israel (for flights from Israeli airports). Singapore Airlines has banned smoking on some flights between Singapore and Kuala Lumpur.

In Scandinavia, domestic operators such as Linjeflyg in Sweden and Braathens in Norway ban smoking, and SAS is to experiment with a ban on domestic flights from July 2 to August 12.

The survey indicated that, on domestic flights, 49 per cent wanted separate smoking and no-smoking areas, 45 per cent wanted a total ban, 4 per cent wanted no restrictions and 1 per cent did not know.

On European flights, 58 per cent were in favour of separate areas, 37 per cent wanted a ban, with again 4 per cent wanting no restrictions and 1 per cent "don't know."

In response, BA points out that over the five weeks of the shuttle experiment to end-May, it carried nearly 97,000 passengers on Glasgow-London flights, and that of those passengers the great majority appear to have accepted the ban. There have been only a few protests at the check-in desks and some letters of complaint from individual passengers.

BA has some doubts about the Forest postcards. It claims that about 50 per cent bore no flight numbers, which meant that they could not be confirmed as coming from shuttle passengers, while another 25 per cent bore flight numbers of other airlines.

The Geneva-based International Foundation of Airline Passengers Associations has conducted its own survey, covering some 28,000 frequent travellers in more than 100 countries between April and July last year.

This showed that some 37 per cent of passengers worldwide wanted a ban on smoking on all flights, while another 11 per cent wanted a ban on flights of up to two hours.

Of the remainder, 25 per cent wanted separate cabins for smokers. Another 19 per cent were prepared to accept "divided cabins" - using a partition or curtain to separate smokers from non-smokers. Only 2 per cent made no distinction between smokers and non-smokers, and 6 per cent did not care.

For the airlines, measuring the significance of such surveys is difficult while trying to implement them to satisfy all preferences is even tougher.

One reason is that separate cabins (which many travellers genuinely seem to want) do not necessarily mean that one group can escape the other's fumes.

Tests by Britannia, the UK's second largest airline, on a Boeing 737 jet have shown that the valves in air conditioning systems become clogged with tar and nicotine from cigarette smoke, rendering them ineffective for all passengers, no matter where they are sitting.

The experiments are not yet over, and the battle between the pro and anti-smoking lobbies will become fiercer. It is clear that smoking is likely to remain a controversial issue in civil aviation for a long time to come.

Bifu scorns breakaway claims at Eagle Star

By Our Labour Editor

BIFU, the financial services union, is claiming that the formation of a breakaway union for staff at Eagle Star, the insurance group, has led to much less than the mass defection claimed by the new body.

Eagle Star de-recognised the Banking, Insurance and Finance Union (Bifu) after the formation from Bifu's Eagle Star section of a separate union, the Eagle Star Staff Union.

In what looked like one of the largest-ever membership defections in a short period, the new union claimed earlier this year that as many as 4,200 Eagle Star employees had transferred to it.

Bifu claimed yesterday that it had received only 30 resignations from members in Eagle Star. It said meetings around the country had reaffirmed the commitment of Bifu's Eagle Star members to continuing representation by the union.

Mr Terry Molloy, deputy general secretary of Bifu, said: "Members in Eagle Star are demanding that Bifu is recognised and that the company re-starts talking to us as soon as possible."

Leaders of GMB want to alter contribution system

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the GMB general union are proposing a radical restructuring of union subscriptions. The move is aimed at making recruitment more precise and at enhancing the links of individual employees with their union.

The package of proposals on membership contributions will be put next week to a private session of the union's annual conference, which will open in Bournemouth tomorrow.

The GMB has taken the unusual step for a British union of looking beyond the ways in which other unions collect their subscriptions. It has also studied the collection of subscriptions by such bodies as the Automobile Association.

The GMB's package has two main elements. The union's leaders are also proposing to freeze membership contributions this year.

The first main element of the package is to alter the traditional categories of union subscriptions, and the third is a switch to direct debit in paying subscriptions.

Altering the categories would require a change in the union's rules. Leaders of the union feel that different categories for full-time, part-time and retired members are no longer

appropriate for modern patterns of work.

The leadership wants a new system to start on July 1. It wants the executive council of the union to be allowed to fix a series of rates that would differ according to occupational or employment groups, and would be linked to varying service requirements.

The present normal membership rate is 95p a week. New subscriptions could range between 50p and 150p. Self-employed members, for instance, who are one of the union's target recruitment groups, would not qualify for the same accident and similar benefits as full-time manual workers. They would be offered benefits designed to meet their own work requirements.

The union might also set a rate as low as 20p for some workers such as those it wants to recruit from largely non-union areas like the hotel and catering trades.

The low contribution rate would reflect the fact that, at least in the early period of membership, the union would not be able to provide collective bargaining coverage.

Leaders of the GMB believe that such moves will help the union to make its recruitment efforts more precise.

The third main element of the package is a drive by the union, to start after the conference, to try to switch members away from paying their contributions by the main traditional methods in large unions. They are automatic deduction at work by employers, the traditional check-off system, and payment by hand.

GMB organisers will be asked to persuade members to move to payment by direct debit through a bank. The union believes that would remove an important part of control of the union's finances from employers. The GMB also believes the move would help in recruitment and in organising non-union establishments.

Employees now paying by check-off often drop out of union membership when they move from one company to another, or to a non-union firm.

Leaders of the GMB believe employees paying by direct debit would be more likely to stay in the union when they moved to another employer, and would provide a membership base if they moved to non-union companies.

Leaders of the GMB will propose moving the union's headquarters from its current country-house base in Claygate, Surrey.

Michael Smith visits pickets who have surprised Courtaulds by striking Trouble at the mill after long peace

AS A MEMBER of the traditionally moderate textiles workforce in Lancashire, Mr John Canfield does not contemplate strike action easily. Last weekend he decided he had had enough.

At 49, he has worked for Courtaulds Spinning for 14 years, most recently as head of a "cotton gang" of five yarn unloaders.

He says he grosses £83 a week, and reckons that the 6.5 per cent pay rise he and his colleagues have been offered is not enough.

"In the early 1980s times were hard, and we took low pay rises," he said yesterday. "But now it is not a poor industry by any means, and it is about time the workers were rewarded."

Mr Canfield's pay is lower than the sum of more than £110 gross which the company says is the average weekly wage of its workers on the shop floor.

None the less a ballot last week of the low Courtaulds spinning workers showed 64 per cent support for a strike. Work was brought to a virtual standstill in Courtaulds' 21 Lancashire spinning mills on Tuesday.

The ballot result surprised Courtaulds' industrial action in the Lancashire textile industry has been rare since the Second World War. The last significant strike was in the early 1940s when employers wanted to reduce wages.

Courtaulds is not the only Lancashire textiles company affected by industrial action. Almost all the other spinning mills in the county belong to the British Textile Employers Association (BTEA). The employers' offer of 5.5 per cent, or 25, to workers has been met with a series of 24-hour strikes on Tuesdays. The next will take place next Tuesday.

THE GMB general union may decide today to hold a strike ballot in another Courtaulds factory in an attempt to intensify the strike by the textile company's employees which started this week.

The union said yesterday that employees in Ashton Brothers of Hyde, Cheshire, the household textiles division of Courtaulds, wanted to join the strike because they were angry at the "broken promises" over pay made by textile employers.

Mr David Warburton, GMB national officer, said workers at Ashton Brothers wanted to join the strike because they were angry at the "broken promises" over pay made by textile employers.

About 10,000 textile workers

employed by members of the British Textile Employers Association have been staging stoppages in their battle against what the union describes as poverty pay.

Textile workers earn a basic wage of £78.50 for a 39-hour week.

Mr David Warburton, GMB national officer, said workers at Ashton Brothers wanted to join the strike because they were angry at the "broken promises" over pay made by textile employers.

What has happened to workers seen in some quarters as comprising one of the most docile sectors of the union movement?

One factor has been the emergence of the GMB general union as a force in the textiles industry. Within the past two years it has received the affiliation of the Textile Workers Union and several smaller craft unions. It now claims between 70 and 80 per cent of the Courtaulds workforce as members.

Although not one of the more militant unions, it is Britain's third largest, and therefore has more muscle to take on employers.

The Courtaulds workers mounting and supporting yesterday's picket lines rejected suggestions that the strike was purely a result of the GMB's organisational ability. "The union has done nothing to us," said Mr Robert deBally, aged 40, who works at Courtaulds' Fox Mill in Oldham. "Courtaulds has made us feel as we do."

Mr McNally and fellow picket supporters complained yesterday

about the extent of job losses in the company in recent years. They also spoke of a deterioration in facilities, such as canteens and rest places which the company provides.

Courtaulds Spinning says that the 3,500 workforce of today compares with about 10,000 at the end of the 1970s. The company denies, however, that facilities have declined. It says they will improve as a result of the recent Communications and Identity programme it launched last year, partly with the aim of consulting workers on workplace conditions.

The real issue is pay. The GMB is claiming a rise of 10.5 per cent but says it is willing to negotiate. Perhaps surprisingly, Courtaulds accepts that its workers' wages should rise appreciably.

"We do not disagree with the unions on getting wages up but we do disagree on the method of achieving it," said Mr Bill Iveson, personnel director of Courtaulds Spinning. Take-home pay should be increased, he said, by productivity agreements on a plant-by-plant basis.

Mr Iveson says five mills are in partial operation, although he will not name them, and he expects one to reopen fully next week. "Of the 3,500 workforce only about 70 per cent are in the union, and 36 per cent of those voted against a strike," he said. "We feel the majority of workers want to accept the offer."

United Biscuits cool towards approach to buy Halifax plant

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

AN APPROACH has been made for the purchase of the KP Foods factory in Halifax, which United Biscuits plans to close next year with the loss of 1,000 jobs.

United Biscuits has so far been cool towards the approach, saying it will not sell the plant as a going concern for competition reasons.

Closure of KP Foods is controversial because Sir Hector Laing chairs both United Biscuits and Business in the Community, which includes Calderdale, for its first "one-town partnership" of public and private sectors to regenerate the local economy. The partnership has created about 1,000 extra jobs in its first 18 months.

The potential bidder for KP Foods is a London-based property developer with 30 years of biscuit manufacturing experience abroad, who has asked to remain anonymous initially.

Yesterday, he said: "I would like to buy the factory and run it myself with my own management team. I would contract to make biscuits for UB alone for the next few years. For me, run-



Robert Clarke: resolved not to sell plant as a going concern

ning a biscuit factory is like turning a wheel with my little finger. I am sure we could do it more efficiently. We would be happy with a small margin to keep the factory going."

The prize the bidder sees is the more open European market after 1992, when he would expand

production into higher value-added products for sale throughout the Community.

In meetings with Mr Michael Ellison, Calderdale Borough Council's chief executive, council political leaders and private sector representatives involved in the BIC partnership, Mr Robert Clarke, managing director of United Biscuits, has been adamant from the outset that the Halifax plant would not be sold as a going concern.

They were told that UB would rather scrap the plant's machinery than allow it to be operated by another biscuit-maker. However, United Biscuits said it would not seek to profit from the sale of the land or buildings if they could be put to other uses.

The suggestion of a purchase by a small independent operator was put to Mr Clarke this week by Mr Ellison, who was told that nothing had been said to make a change in policy likely.

The next stage will be further talks between the would-be buyer and the group of council and business leaders which runs the BIC partnership.

Tube chiefs attacked for safety lapse

LONDON UNDERGROUND

managers were criticised yesterday at the King's Cross disaster inquiry for their "collective failure" over many years to minimise the outbreak of fires on the network.

Mr Richard Warburton, director-general of the Royal Society for the Prevention of Accidents, said it was imperative that the new post of chief safety inspector for the Underground, being created following the fire in which 31 died, should be filled from outside the organisation.

London Underground reports and documents had led him to the conclusion there had been "collective failure from the most senior management level downwards over many years to minimise the outbreak of fire."

Managers had also failed to plan to control large-scale incidents involving a potential loss of life.

Of the new chief safety inspector, he said: "The Underground's 101 actions after the fire, Mr Warburton said: 'My own view is that it is imperative that it is an external appointment. Not thinking has to come in to advise the directors - someone who has had a broader experience outside this undertaking and has had experience in looking at large-scale organisations and probably has been using more of the modern techniques.'"

Management's belief that the large number of fires without personal injury indicated there was no cause for concern had turned the proper approach to safety "on its head."

Mr Desmond Fennell, QC, the inquiry chairman, intervened during questioning of Mr Warburton by Mr Lionel Read, QC, counsel for the Underground, on its safety record.

"It seems to me that, as railwaymen, London Underground had a very good record: my trouble is that they were running a transport system and they forgot about the stations," said the chairman.

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Housing shortage 'deters staff'

BY JOHN HUNT

LACK OF housing in London and the south-east of England is leading to a shortage of skilled labour and lack of mobility, a survey says.

The study, carried out by the House-Builders Federation among the 100 biggest employers in the region, shows that a large number of them are being adversely affected by local housing shortages.

Of the 57 per cent that responded, 64 per cent said that their employment and management policies had been seriously affected.

In addition, 82 per cent said their employees were adversely affected by housing problems and 83 per cent had offered London-based staff higher salaries or had taken positive action to assist employees with housing.

The results have been sent to Mr Nicholas Ridley, the Environ-

ment Secretary, and Mr William Waldegrave, Housing Minister. They will be seized on by both sides in the controversy over the extent of development in the south-east. The developers see the results as further evidence of the need for more land to be made available for building.

In contrast, the conservationists will see it as evidence that the south-east is already too congested and that most new building should take place in inner cities and in the north.

The survey indicates that the local housing mobility caused by the housing shortage is, in turn, leading to difficulties in career development within companies.

One respondent, a publishing company, commented: "It has become increasingly difficult to move staff, senior management and workers at all levels, due to accelerating price differentials in

housing between different parts of the country."

The lack of sufficient reasonably-priced new housing in inner cities - one of the complaints of the environmental lobby - also figures in the report. A leisure company said that difficulties were caused by lack of suitable houses in inner cities for families with incomes at or below the national average.

"The level of house prices, particularly in London, is the dominant feature of pay pressure, labour supply and immobility of staff," it commented.

The north-south divide is also highlighted. A motor manufacturer commented: "In the recruitment of people such as engineers there are difficulties. Often they have lived in areas of low-priced housing and cannot afford the south-east prices."

Hunger for homes, Pages 6-7

Paisley 'ready to go to jail'

By Our Belfast Correspondent

THE REV Ian Paisley, leader of Ulster's Democratic Unionist Party, said yesterday he would serve a 30-day prison sentence rather than pay fines of £200 imposed for taking part in two illegal parades last year.

Mr Paisley, MP for North Antrim, took part in Apprentice Boys' parades in Dromara and Stonyford last summer. The parades were illegal because the seven days' notice required by the Royal Ulster Constabulary under new public order legislation was not given.

Mr Paisley said after the case at Lisburn Magistrates Court yesterday that he would not be paying the fines and was prepared to go to jail.

Fifteen other people who admitted offences under the legislation were given conditional discharges. Mr Chris Milner, resident magistrate, said he was making an exception in Mr Paisley's case because he had previous convictions.

APPOINTMENTS

Chief of Thames Power

THAMES POWER, a company formed by BICC, Taylor Woodrow, and Schroders, to design, build, own and operate power stations in the privatised electricity supply industry, has appointed Mr Michael Cornish as chief executive. He is managing director of the Dorman Smith group, part of BICC.

Mr A.P. Phillips, financial director of CREST HOTELS, becomes managing director today. Mr P.S. Whitney, chief accountant and company secretary, is made financial director; and Mr P. Bowman joins the board as commercial director from Bass Leisure where he was finance director.

Mr Trevor Bayley has been appointed to the main board of TITANIA BUILDING SOCIETY as finance director. He was general manager (finance).

Major General Gerry Berragan has been appointed chief executive of THE INSTITUTE OF PACKAGING. He was the Army's director general of ordnance services.

JOHNSON WAX has appointed Mr Philip Spencer as director, consumer division, succeeding Mr John Molan who has been promoted to managing director. Mr Spencer joins from Procter & Gamble where he was associate advertising manager.

Mr Tom Grimes has been appointed a director of BAR-

CLAYS UE ZOETE WEDD GLTYS. He was a director of Hill Samuel.

Mr Alan Shearer has been appointed managing director designate of E.C.C. QUARRIES, a subsidiary of English China Clays. He will succeed Mr Tom Stobart who will retire next February.

Mr Barry J. Goldsmith has been appointed to the RADAMEC GROUP board. He is managing director of subsidiary Radamec EPO.

T. COWIE has appointed Mr John Lander as executive director. He was a director of corporate banking with Midland Bank, and a director of its pension fund.

Mr Brian D. Hoare has been appointed finance director of SUTTER. He was director of corporate planning, for which he will remain responsible.

Mr John Nash (Advent) has been appointed chairman and Mr Richard Hargreaves (Baronshead Associates) has been appointed vice-chairman of the BRITISH VENTURE CAPITAL ASSOCIATION.

HARVEY PLANT has appointed Mr Peter Corgrove as managing director. He joins from a sister Lex company, Lex Electronics Europe, where he was personnel director.

Mr Robert L. Piper has been appointed managing director of RIVER THAMES INSURANCE COMPANY. He was director of finance and administration.



Girobank plc Base Rate

Girobank announces that

as from the start

of business on

3 June 1988

its Base Rate was

increased from 7.5%

8.0% per annum.

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Dutch Banking And Finance

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Mr Richard Willis

Financial Times (Bendix) Ltd
Haregracht 472, 1017 CA Amsterdam

Tel: 010 341 20 23 94 30

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Saturday June 4 1988

Sterling spurned

FINANCIAL MARKETS appear to be unable to cheer and walk at the same time. This is the only plausible explanation of the events of the last week, during which the pound fell abruptly from its status as the world's favourite major currency to being its least favourite.

The monomania of the markets has turned its attention to interest rates. Indeed, whenever the markets become reasonably convinced that stability among the major exchange rates is likely for the foreseeable future (which may be no more than a few days), it is to interest rates they turn.

Stronger dollar

Such changes in relative rates of interest have powerful effects on the movement of short term capital, whenever substantial movements in exchange rates are not in prospect. So the effect has been a marked strengthening in the dollar. Against the D-Mark, for example, the dollar has risen by some 3 per cent since the beginning of May. It has even strengthened marginally against the yen, though largely in the course of this week. Meanwhile, sterling has fallen out of favour.

Of course, if markets pay attention to differential interest rates and ignore probable movements of the exchange rates, they are likely to be confounded and, in fact, the dollar may well strengthen. There could then be some tightening of monetary policy in West Germany and Japan, especially as the present course of policy is regarded as carrying inflationary risks in both countries.

For Britain's Chancellor of the Exchequer, the strength of the dollar has proved most welcome and would probably be still more welcome if it encouraged higher interest rates in West Germany. With another game in town, the financial markets are looking at sterling with a more jaundiced

eye. Perhaps they have even come to agree with the Chancellor and the Bank of England on the inflationary pressures in the UK economy.

If so, it is probably because the Chancellor himself has convinced them. With interest rates down by 1½ percentage points since mid-March and his tactical victory over the Prime Minister, Mr Lawson has shown the markets that he is quite serious about currency stability. He has probably convinced them, too, that he is willing to risk a further expansion of domestic demand and deterioration in the current account if that is the necessary consequence of his commitment.

Happy position

In consequence, he finds himself in the happy position of doing what he wanted all along. The ½ percentage point base rate increase of Thursday may be regarded as a down-payment on the further tightening that will occur if the rate of exchange against the D-Mark falls further. The increase was modest, suggesting that the Government is operating with a soft exchange rate band, but its existence cannot be doubted.

Does the UK Government finally have what it wants: a firm exchange rate and high interest rates? Unfortunately, no. The policy remains internally inconsistent. Whenever the exchange rate is expected to stabilise, the interest rate differential via a vis other currencies, especially the D-Mark, will come under attack. Whenever the interest rate differential is reduced under such an attack, the exchange rate will come under pressure.

It is most improbable, therefore, that higher interest rates can endure (especially if further increases are in the offing). The UK is simply demonstrating what happens to interest rates when there is an attempt to stabilise exchange rates between two economies with different underlying monetary conditions.

Exchange rate stability is bought at the price of greatly increased interest rate variability. It is quite doubtful whether this is a sensible bargain.

The Chancellor has benefited from the latest infatuation of the foreign exchange markets. But a further period of doubt about global imbalances and US inflation is all too likely, with downward pressure on the dollar followed, perhaps, by another love affair with sterling. Sterling can enjoy being a wall-flower for the moment, but it is unlikely to evade the fickle attentions of the foreign exchange markets for long.



MR NICHOLAS RIDLEY, Secretary of State for the Environment, is preparing the ground for a substantial loosening of controls over development in the south-east of England. That, at any rate, is the natural interpretation of his recent, trenchant statements.

"I cannot and will not say because I have a nice house and a good life that I do not care about anyone else," he declared on May 10th. If the attitudes of conservationists had prevailed in the past, he said, Britain would not have been able to progress beyond the steam age. Indeed, even that degree of progress might have been impossible because the 19th century railways would not have been allowed under present planning restrictions.

His stand appears to have the staunch support of Lord Young at the Department of Trade and Industry (DTI). Consortium Developments, a group of 10 private sector construction companies, wants to build a new country town of 4,800 houses near Bramshill in north-east Hampshire (No 12 on the map below). This week, the DTI backed the proposal, arguing that economic growth in the south-east may be unnecessarily constrained by restrictions on the supply of housing land.

Consortium Developments and other construction groups are pressing for the right to build at selected sites throughout the rural south-east. Conservationists recognise that the Green Belt, the strip of undeveloped land that surrounds the capital, is not yet directly threatened. Their fear is that countryside in the rest of the region, which is often more attractive, will be bulldozed too rapidly.

The economic case for loosening controls looks strong at first sight. The

Present planning rules would not have allowed the 19th century railways

number of households is rising more rapidly than envisaged even a few years ago. The increase in the south-east between 1966 and 2001 is now put at 1m or 1.4 million. That, says Mr Ridley, does not reflect migration from north to south or even indigenous population growth. It is primarily the consequence of changing social trends: the tendency for people to get married later, divorce more frequently, and live independently for longer once elderly.

The demand would be choked off, for example, could be held. But in a free and democratic society, says Mr Ridley, the Government should seek to accommodate rather than suppress the desires of ordinary people.

But what if the projections are wrong? They have been radically revised in the past three years - they could surely change again? The present crop of rather serious teenagers could marry early and prove faithful spouses; divorce could become less popular. In any case, there can be no simple correlation between household numbers and demand for land or housing. The traditional English semi-detached house could fall out of fashion and more people could opt for space-saving flats and apartments, as they do on the Continent.

Projections and plans are unreliable, agrees Professor Alan Evans, an economist at Reading University. He thinks the flaws in present planning controls are better demonstrated by the existing supply-demand imbalance. If present policies make sense, why is building land in parts of the south-east worth up to 300 times as much as agricultural land for which planning permission has been denied? Why are land prices an ever-increasing proportion of the cost of new houses? Why are groups like Consortium Developments prepared to spend £200,000 fighting for the right to exploit a single site?

Planning policies, he argues, are failing not only to recognise the increase

Hunger for homes in the golden south

FT writers analyse the controversy over where to find land for new houses in south-east England

in numbers of households, but also the massive rise in real incomes since the war. When people get wealthier it is natural for them to want more space. Yet rocketing property prices are forcing people to live in cramped accommodation. High-density estates have become virtually the only economical form of development in the private sector, yet this is often the type of housing that is most loathed by conservationists. "We have the worst of both worlds," concludes Professor Evans.

The free market case for looser planning controls is further bolstered by a consideration of the needs of compa-

nies. Traditional regional policies, argues the DTI, were not particularly successful: growth is not easily diverted from prosperous to poor regions. It would therefore be a mistake to let the public inquiry into the Hampshire new town application this week, "to interfere with market forces by putting protective barriers around the south-east and other desirable areas in the hope that this would open up opportunities elsewhere". Britain, in other words, must nurture growth and enterprise wherever it happens to thrive.

Conservationists can hardly deny that

companies and individuals want to locate themselves in desirable parts of the south-east. Consortium Developments will sell, at escalating prices, every new house it is allowed to build. Land and house price inflation are clear indicators of the excess demand.

Opponents of faster development must address the issue of excess demand. But they can argue that, on the one hand, the excess demand is artificial - a symptom of inappropriate government policies; on the other, that even if it is genuine, it is not in the nation's interests that it be met.

A glance at the Government's tax-

tion policies lends support to the artificially thesis. Tax subsidies - mortgage interest relief, no tax on the imputed income from home ownership or on capital gains on the sale of principal residences - have fuelled demand for housing and led many to lock on their homes, not as an expense, but as easily their most profitable investment.

Mr Christopher Johnson, the chief economist at Lloyds Bank, points out that nationalised industries and government agencies, for example, still own vast tracts of unused land. "An artificial shortage of land has been created by over-regulation and excessive public ownership," he argues.

Mr Ridley's response to this type of criticism is that a large and growing proportion of urban land: 55 per cent of new houses in London and the south-east are built on urban or previously developed land. And the rate at which agricultural land is taken for development has fallen substantially since the 1960s and 1970s. Greater efforts to release previously developed land could doubtless be made: site value taxation could be introduced to penalise companies for not developing excess land.

But even if steps were taken to reduce subsidies for housing and to release more urban land, the demand for more in attractive parts of the south-east would remain. Demands, however, as Mr Michael Heseltine, the former Environment Secretary has stressed, do not have to be met simply because they exist. The alternative is to allow prices to rise and rationing to take place. Mr Heseltine and others argue that house and land price inflation in the south-east is not such a bad thing. It is a market mechanism which, at long last, is beginning to persuade companies and individuals to consider the

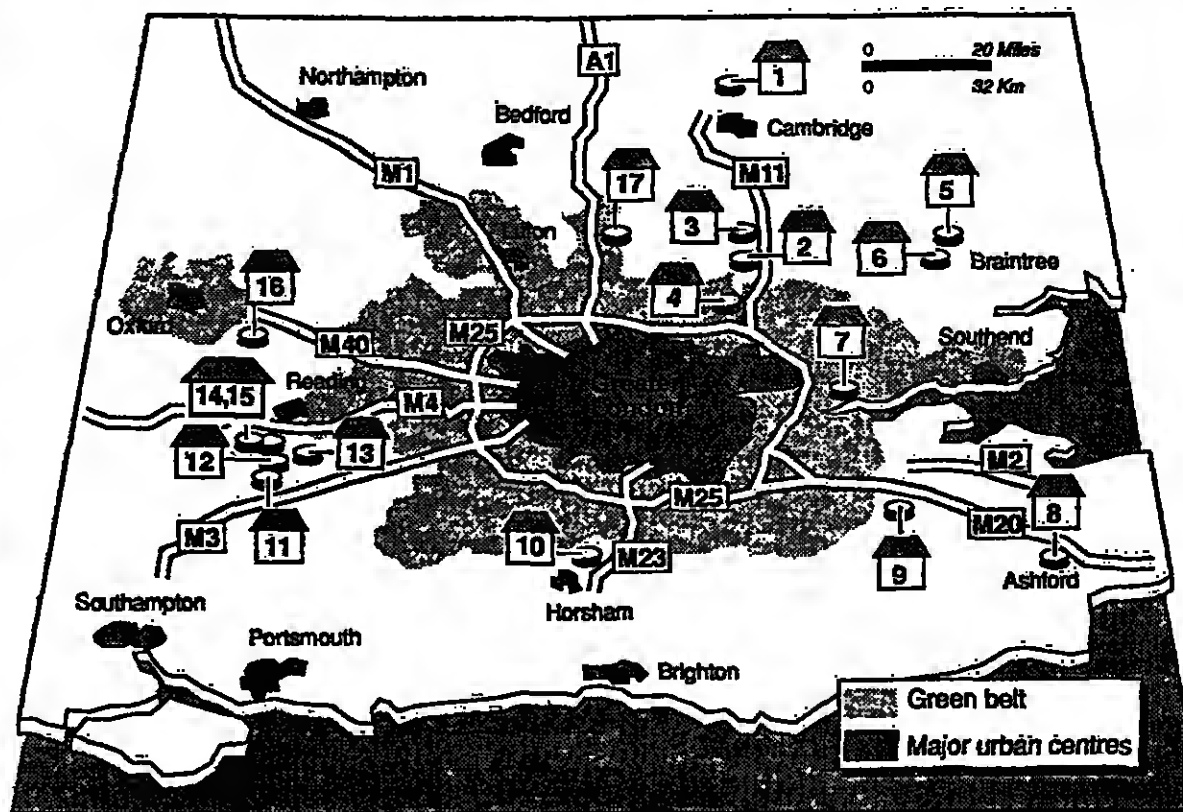
High house prices are persuading companies to consider other parts of the UK

merits of other parts of the UK. On this view, it would be the height of folly to relax planning constraints just when the market is beginning to solve long-standing regional problems. Dr Michael Heseltine, a member of the geography department at the London School of Economics, points out that the head of steam built up in the south-east property market can be viewed as an indicator of the success of the policy of urban containment. The unsightly ribbon development of the 1950s was stopped in its tracks by the Green Belt and development in the rest of the south-east, by and large, has been carefully managed.

The nagging question remains, however: why should people be prevented from living in pleasant rural locations close to London? Why should the lucky owners of period country cottages prevent others sharing their pleasures? After all, it is not as though Londoners get much practical value out of the green belt - their supposed "lung". It, like much of the rest of Britain's greenery, consists mainly of inaccessible privately-owned estates rather than rolling parkland for the masses.

Development, in the end, is a moral and aesthetic issue. "Does a well-built new village really look worse than a field of yellow rape?" asks Professor Evans at Reading. He also backs the new "urban conservationists" and asks why towns should become ever more congested in order to preserve the countryside for the lucky few.

The green lobby's strongest card is undoubtedly the irreversibility of development. Houses can be pulled down and rebuilt. But lost countryside can never be restored. Mr Ridley may win majority support from this generation for looser planning laws; but our grandchildren and great-grandchildren would almost certainly vote against him, if they could.



The map shows some of the main housing developments proposed by private builders in south-east England. Each of the 17 schemes would provide a minimum of 1,000 homes. Only two developments have received planning permission, one of these after a public inquiry.

Most of the others are likely to be opposed by local councils. Several are the subject of planning inquiries. Many of the proposals are for new towns or villages, providing shops, churches, schools, health and leisure facilities.

Starting north-east of London, housing demand along the corridor of the M11 motorway has been stimulated by the decision to expand Stansted as London's third airport, the electrification of the main Cambridge railway line and the construction of the M11 and M25 motorways. Plans include: (1) Wilburton, a new town of 3,000 homes proposed by Consortium Developments, which represents nine of Britain's biggest housing builders. There are also more than a dozen schemes to develop another new town close to Cambridge. One plan, from Ewinston, is for 6,500 homes at Chiddingfold, north of Cambridge. (2) Sturford Park Farm - a 1,500-home plan

for Bishops Cleeve from Bovis and McAlpine Homes; (3) 1,200 homes between Stevenage and Bishop's Cleeve from Bovis Homes; (4) Broomfield Park - 3,500 homes at Harlow. The last scheme, proposed by a consortium of Countrywide Properties, Grouse and Watney, was approved after a public inquiry.

Further east, at Braintree, Essex: (5) Bovis plans to build 1,000 homes at Marks Farm; (6) Countrywide has put forward a 1,800-home scheme called White Court West. At Grays in Essex: (7) Blue Circle, Britain's biggest cement company, and developers Hockley have planning permission to build Chafford Hundred, a new town of 5,000 homes.

Ashford in Kent is another centre attracting strong interest from housing developers. The town will be an important rail head for the Channel Tunnel, due to open in 1993. (8) Ward Holdings has announced plans for a new village to provide 5,000 homes south of Ashford. (9) Close to Lymington along the M20, Kent, Ideal Homes proposes a 1,750-home development.

At Crawley in Sussex: (10) a consortium

of Winslow, Bryant and Taylor Woodrow plans to develop 3,700 homes at Maidenbower. The county council also expects planning permission to be sought for 1,500 homes north of Horsham.

At least five big developments have been proposed within the M4/M3 triangle, straddling the borders of Berkshire and Hampshire. These include: (11) 2,000 homes at Hook, put forward by Charles Church; (12) Consortium Developments plan to build 4,800 homes at Farnham, Bramshill, into which a public inquiry opened this week; (13) 1,700 homes at Eversley, by Bryant Homes; (14) Charles Church, Bryant Homes, McAlpine and Rockhold are proposing a 3,000-home project at Spencers Wood; (15) Speyhawk has a scheme for up to 4,000 homes at Great Leap.

East of Oxford close to the M40/M16, Consortium Developments has sought planning permission for a new country town, Stone Bassett, of 5,000 homes. At Stevenage: (17) a consortium of Countrywide Properties, Grouse and Watney plans to build 1,800 homes.

Andrew Taylor

Michael Prowse

Planning and conservation

A lack of trust in the shires



THE TORY manifesto for last year's general election boasted that Conservative are by instinct conservationists committed to preserving all that is best in the countryside. It is determined to maintain our national heritage of countryside and architecture," it declared.

Almost a year later Mr Nicholas Ridley, the Environment Secretary, is joined in battle on this issue with an increasingly vocal group of his own backbenchers who do not think that the Government is living up to its manifesto pledges. The 90 Conservative MPs of the Sane Planning group are worried at the increased pressure of new housing on agricultural land, villages and small towns in their constituencies in southern England.

Local conservationist groups and national organisations such as the Council for the Protection of Rural England (CPRE) are also at odds with Mr Ridley over what they believe to be the increasing congestion of southern England.

Earlier this week Lord Young, the Trade and Industry Secretary, confirmed the worst fears of the environmental lobby when his department intervened in favour of the proposal by Consortium Developments to build the new Foxley Wood country town of 4,800 homes at Bramshill, north-east Hampshire. The submission, personally approved by Lord Young, has caused a political storm. It appears to go further in favour of new housing and industry than the planning guidance for the south-east issued by Mr Ridley. It emphasises the crucial importance of north-east Hampshire, Berkshire and west Surrey in the growth of indigenous companies and attracting new foreign investment. "For this economic growth to occur the planning system must provide the necessary housing," it says.

This comes when the critics say Mr Ridley has already gone too far in allowing over-development of the region. They believe that the existing planning regulations - or lack of them

- are only partly to blame. Their main complaint is that Mr Ridley, with his strong Thatcherite free-market views, is encouraging overbuilding by the tone of his speeches and by permitting too many housing schemes to go ahead against local wishes.

The underlying assumption of the planning system is that a development should be permitted unless there is a specific reason against it, such as intrusion into the Green Belt or land of special scientific interest. There is a heavy onus on the objector to prove the case against.

The bedrock of the system was the Town and Country Planning Act of the immediate postwar period which allowed for detailed county development plans. But this was later thought to be too slow and elaborate and it was radically modified by new legislation in 1983 which introduced the concept of county structure plans and local plans. Under this system the county draws up the overall strategy, including permitted numbers of new homes, and the district councils fill in the details with more specific local plans.

But there are complaints that, with many of these plans up for revision, Mr Ridley is intent on overruling the counties in the south-east and forcing them to make provision for more new houses than they want. This is what is now happening in Berkshire, which is seen as a test case. The Sane Planning group, has protested and is watching out for Mr Ridley's final verdict on the county.

In any case Mr Ridley intends to abolish the present system of structure plans on the grounds that it is intensely bureaucratic and cumbersome to make the planning system too slow. He reaffirmed his intention in his controversial recent speech when he delivered an uncompromising counter-blast against the views of the Sane Planning group and a former Tory Environment Secretary, Mr Michael Heseltine. His proposal, which is expected to be announced later in the summer, is to replace structure plans with a system of regional guidance, county policy statements and district local plans.

The conservationists believe this will mean a further watering down of the planning regulations and another invitation to the developers to make contentious planning applications.

The planning framework, which local authorities operate is laid down in a series of advice notes from successive Environment Secretaries. They offer "guidance" to the authorities and developers but, as one local councillor put it, "you ignore them at your peril." Earlier this year Mr Ridley put out a batch of such notes offering regional guidance for the south-east. This consisted of an earlier note from himself and one each from his predecessors Mr Heseltine and Mr Patrick Jenkin. The tone of Mr Ridley's note, which is intended to provide a basis for planning and development of the region for the next 10-15 years, has aroused conservationists' suspicions.

He declares: "At the outset it is necessary to recognise the limitations of the land use planning process. It is the private sector not the planning system that generates economic growth." He goes on to say that soundly based land use plans can help facilitate development and investment and avoid conflict with other policy objectives.

Mr Ridley says it is not the Government's policy to discourage development and economic growth in the south-east in the hope that it will transfer to other areas. He shares the view that the south-east, by fostering its own economic growth, can act as a force for national economic recovery. He does, however, stress that a significant proportion of new houses should be in urban areas and there should be protection of agricultural land and green belts.

Mr Ridley draws up his proposals after consultation with the London and South East Regional Planning Conference (Serplan) which consists of 12 county councils, 98 district councils and 33 London boroughs. Serplan has put forward a scheme for the economic development of the eastern Thames corridor, an area stretching each side of the river from east London to Southend on the Essex coast and Gillingham in

Kent. The area has been hit by high unemployment in the Midway towns and Serplan points out that there is ready availability of labour as well as land committed for development.

The scheme, which fits in with Mr Ridley's thinking - is to draw development to the east of the region away from heavily congested areas such as Berkshire. Eventually, however, this could result in further congestion if the Channel Tunnel leads to a big increase in economic activity in north Kent.

At the CPRE, Mr Andrew Purkis, the director, does not so much object to Mr Ridley's planning circulars as to the way in which he is using his discretion in planning matters. He says that, because of the increase in the number of appeals being upheld, developers know they have a 40-50 per cent chance of success. Thus they are bound to chance their arm with applications for sites on agricultural land. He also takes with a pinch of salt Mr Ridley's recent threat that developers who persist with lengthy public inquiries in the green belt will have their proposals rejected and costs awarded against them. In reality, Mr Purkis says, local authorities are being "clobbered" with costs more heavily than builders.

At the Town and Country Planning Association, Mr Chris Gossp, Deputy Director, believes there is a body of opinion that would like to see a standing commission with greater powers to develop and enforce an overall planning strategy for the south-east. He also thinks that a revival of the New Town concept could play a part in reducing sprawl.

Various devices are used by developers to bend the system. One is to take a small site, add a large section of agricultural land and then put in an application for the whole parcel. This is likely to be rejected, but the developer may come back with a more reasonable application with less countryside attached.

Agricultural buildings are sometimes acquired with the intention of developing them as a clutch of desirable residences.

John Hunt

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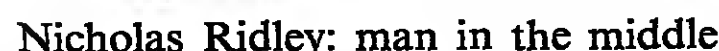
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FT 4/6/88

Green with anger

Man in the News

One of the first Thatcherites



The economics of house building

A spiral fuelled by land

1001 KISS

415

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Friday June 3 1988						The Jun 2		Wed Jun 1		Tue May 31		Year ago (approx)		Highs and Lows Index			
Figures in parentheses show number of stocks per section		Index	Day's Change %	Est. Earnings Yield (%) (Mkt.)	Gross Yld (%) (25%)	P/E Ratio	1988 vol	Index	Index	Index	Index	Index	1988		Simultaneous Compaction				
													High	Low	High	Low			
1	CAPITAL GROUPS (268)	765.10	+0.1	18.26	3.99	12.22	12.26	764.15	762.75	754.78	728.41	778.80	1803	786.80	8 1/2	1538.07	1617 1/2		
2	Building Materials (290)	1546.89	+0.1	22.40	13.28	11.21	961.81	972.01	970.47	926.47	1006.47	1017	2810	937.80	8 1/2	1381.08	1470 1/2		
3	Contractors, Construction (3)	1546.89	+0.1	22.40	13.28	11.21	961.81	972.01	970.47	926.47	1006.47	1017	2810	937.80	8 1/2	1381.08	1470 1/2		
4	Electricals (132)	2067.40	+0.4	9.34	8.84	13.31	43.35	2059.49	2058.18	2053.42	2356.92	2129.41	4 1/2	1944.07	8 1/2	2733.45	2807 1/2		
5	Electronics (52)	1620.75	+0.1	10.13	3.35	12.32	13.96	1611.33	1608.18	1589.14	2082.70	1612.43	2614	1426.66	9 1/2	2236.70	2177 1/2		
6	Mechanical Engineering (7)	398.88	+0.2	18.04	4.44	12.45	6.82	390.15	390.76	386.72	498.06	483.88	180	347.20	8 1/2	544.57	510 1/2		
7	Metals and Metal Finishing (5)	469.10	+0.2	18.04	4.44	12.45	6.82	390.15	390.76	386.72	498.06	483.88	180	347.20	8 1/2	544.57	510 1/2		
8	Wood and Wood Products (7)	273.20	+0.5	11.84	4.58	8.48	5.11	269.48	269.11	268.19	306.15	299.79	5 1/2	268.19	8 1/2	341.41	340 1/2		
9	Other Industrial Materials (24)	1277.94	+0.1	9.18	3.37	13.86	20.10	1279.31	1277.32	1261.64	1547.52	1279.50	1810	1191.01	8 1/2	1736.80	2219 1/2		
10	CONSUMER GROUP (187)	1704.76	+0.1	8.98	3.54	12.28	11.68	1679.39	1676.13	1660.49	1278.84	1809.38	1803	996.25	8 1/2	1406.32	1467 1/2		
11	Brewers and Distillers (23)	1124.36	+0.4	18.78	3.63	13.75	13.49	1116.60	1120.42	1113.07	1176.35	1128.02	1 1/2	951.87	8 1/2	1209.35	1267 1/2		
12	Food Manufacturing (23)	1554.49	+0.4	18.78	3.63	13.75	13.49	1116.60	1120.42	1113.07	1176.35	1128.02	1 1/2	951.87	8 1/2	1209.35	1267 1/2		
13	Food Retailers (23)	1554.49	+0.4	18.78	3.63	13.75	13.49	1116.60	1120.42	1113.07	1176.35	1128.02	1 1/2	951.87	8 1/2	1209.35	1267 1/2		
14	Health and Household (12)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
15	Leisure (30)	1385.96	+0.4	8.84	3.64	15.01	17.70	1380.01	1398.29	1321.12	2318.18	1318.68	180	1422.10	9 1/2	1504.79	1310 1/2		
16	Packaging & Paper (27)	490.56	+0.5	9.18	3.13	14.23	5.88	477.49	477.49	489.52	658.65	582.57	4 1/2	473.11	8 1/2	739.48	740 1/2		
17	Printing & Publishing (2)	394.82	+0.2	8.98	3.59	15.29	4.47	397.96	390.57	390.57	792.04	862.80	4 1/2	390.57	8 1/2	588.48	588 1/2		
18	Textiles (13)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
19	Other Groups (92)	873.77	+0.4	18.94	4.38	11.27	5.79	884.74	882.74	877.09	1161.87	912.74	180	834.82	8 1/2	1192.48	1178 1/2		
20	Agencies (21)	1149.05	+0.5	7.09	2.34	17.81	9.79	1143.83	1144.58	1135.99	1899.77	1226.82	180	1016.74	8 1/2	1795.57	1777 1/2		
21	Chemicals (20)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
22	Commodities (13)	1774.20	+0.4	18.50	4.49	12.81	9.47	1168.80	1171.33	1141.93	1716.32	1296.32	4 1/2	1897.37	8 1/2	1547.41	1570 1/2		
23	Shipping and Transport (12)	1902.52	+0.4	18.66	4.63	12.49	21.60	1915.45	1912.22	1915.26	2282.87	1942.59	290	1719.64	9 1/2	2497.85	2476 1/2		
24	Telephone Networks (2)	929.22	+0.3	12.58	4.47	21.50	8.00	922.45	929.09	932.82	1229.53	998.54	180	880.24	10 1/2	1274.14	1246 1/2		
25	Miscellaneous (26)	1169.71	+1.2	43.31	19.26	15.85	113.05	1173.98	1166.78	1146.78	2217.48	2217.48	290	894.29	8 1/2	1737.70	1737 1/2		
26	FINANCIAL GROUP (167)	947.86	+0.2	9.79	3.27	12.80	10.90	946.11	947.33	936.65	1146.62	917.70	180	887.49	8 1/2	1268.06	1267 1/2		
27	Oil & Gas (13)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
28	Other Financial (29)	1025.76	+0.5	9.88	3.11	12.73	12.27	1021.00	1020.00	1009.74	1474.40	1047.40	180	952.79	8 1/2	1249.48	1247 1/2		
29	SHARE GROUP (233)	497.56	+0.5	4.81	13.76	49.89	60.07	494.64	491.21	754.32	1025.28	3 1/2	638.02	8 1/2	966.67	1310 1/2			
30	Banks (8)	642.39	+0.3	22.50	6.13	6.24	18.83	644.43	659.97	645.92	792.32	642.27	4 1/2	618.76	7 1/2	998.38	1617 1/2		
31	Insurance (Life) (8)	994.41	+0.2	5.84	24.97	96.22	85.99	987.77	984.36	1023.34	1023.34	280	930.83	9 1/2	1282.72	1240 1/2			
32	Insurance (General) (7)	336.70	+0.3	5.58	13.02	57.94	52.77	339.46	346.46	388.52	543.99	4 1/2	481.43	8 1/2	701.58	1200 1/2			
33	Life Insurance (1)	331.75	+0.3	9.99	12.97	97.21	97.21	331.75	331.75	331.75	331.75	331.75	331.75	331.75	331.75	331.75	331.75		
34	Merchant Banks (11)	331.75	+0.3	9.99	12.97	97.21	97.21	331.75	331.75	331.75	331.75	331.75	331.75	331.75	331.75	331.75	331.75		
35	Property (3)	1224.46	+0.2	4.76	25.89	5.60	322.44	1227.36	1226.36	1136.82	1233.15	275	975.44	8 1/2	1734.86	1617 1/2			
36	Other Financial (29)	343.51	+0.8	10.29	6.31	22.22	5.50	340.39	340.39	340.39	466.87	481.37	220	376.57	8 1/2	648.48	1617 1/2		
37	Investment Trusts (11)	875.93	+0.7	3.98	7.43	878.18	865.69	875.93	875.93	893.63	891.36	180	784.71	8 1/2	1247.90	1310 1/2			
38	Mining Trusts (1)	1247.74	+0.3	1.82	12.22	12.22	12.22	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74		
39	Real Estate Trusts (1)	1247.74	+0.3	1.82	12.22	12.22	12.22	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74	1247.74		
40	ALL-SHARE INDEX (712)	926.84	+0.5	4.12	13.16	95.42	92.77	925.32	925.32	1009.93	951.46	180	870.19	8 1/2	1238.57	1210 1/2			
41	FT-30 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
42	FT-500 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
43	FT-1000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
44	FT-2000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
45	FT-5000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
46	FT-10000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
47	FT-20000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
48	FT-50000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
49	FT-100000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
50	FT-200000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
51	FT-500000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
52	FT-1000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
53	FT-2000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
54	FT-5000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
55	FT-10000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
56	FT-20000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
57	FT-50000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
58	FT-100000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
59	FT-200000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
60	FT-500000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
61	FT-1000000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2	2499.85	2467 1/2		
62	FT-2000000000 SHARE INDEX (1)	1815.32	+0.1	6.72	2.64	15.01	18.09	1817.65	1816.76	1786.94	2444.91	1927.94	300	1708.33	13 1/2</				

ECONOMIC DIARY

TODAY: Mr Norman Tebbit speaks at the Swedish Chamber of Commerce annual luncheon, Grosvenor House Hotel, London. Mr Kurt Waldheim, Austrian President, begins three-day visit to Saudi Arabia to boost economic ties.

TOMORROW: General, Municipal, Boilermakers & Allied Trades Union annual conference opens, Bournemouth (until June 8), 9 a.m. to 12 noon. Meeting in French section, Gulf Co-operation Council Ministers meet in Riyadh.

MONDAY: April final figures for retail sales, Credit business in April, main 1982 week begins. EC special five-day conference on contribution of wind energy to electricity demand in Brussels (until March 20), European Democratic Union starts two-day meeting in Brussels to agree final draft of report on education in Europe.

TUESDAY: Housing starts and completions in April, and house renovations for the first quarter, Commons return from recess. Arab summit conference opens in Algiers, Cairo-Luxembourg (until March 20), Sir George New Mexico US presidential primaries. EC Internal Market Ministers meet in Luxembourg to continue debate on 1982 matters.

WEDNESDAY: World Travel and Tourism Congress opens, London (until March 20), OPEC of Directors annual lecture, OPEC meets in Vienna.

THURSDAY: Financial Times luncheon for the International Financial Institutions, London (until March 20), MSAI meets in the MSAI House, CB/IT survey of distributive trades for May, East-West conference opens in Potsdam (until June 11), ECSD statement on semi-employment, London (until March 20), Ministers start two-day meeting in Madrid, BAA (formerly British Airports Authority) preliminary reports, EC Environment Ministers meet in Madrid, embouling to discuss the health protection of people in work places and the problems of equal treatment in social security, EC Energy Ministers meet in Madrid, Ministers discuss energy policies up to 1985.

FRIDAY: Latest steel production in May, May's quarter figures for construction output, The European Council meets in Madrid, Ministers of European security, arms control and disarmament meets in Paris, chaired by Lord Coynbrook, Mrs Margaret Thatcher, the Prime Minister, on working visit to Paris, William President Mbarasa, Zaire.

**SPANISH
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23rd June

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on Madrid (01) 456
2778

or write to Mr Robert
Leach:

**Bracken House
10 Cannon Street
London
EC4P 4BY**

FINANCIAL TIME

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sime Darby Berhad will be held at the Ballroom, The Regent of Kuala Lumpur, 54-A Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on 21st June, 1988 at 11.00 a.m. for the purpose of considering and if thought fit, passing the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

"That subject to the approval of The Kuala Lumpur Stock Exchange for the listing of and quotation for the new shares to be allotted and issued by the Company, the acquisition by the Company of a total of 9,926,442 Ordinary shares of £1.00 each representing approximately 7.4% of the issued and paid-up ordinary share capital in Harrisons & Crossfield PLC ("H & C") to be satisfied by an issue of a total of 109,180,862 new shares of 50 sen each in the Company, such shares shall be issued and credited as fully paid and shall rank *pari passu* in all respects with the existing shares of the Company in issue save for any dividend which shall be paid to the new shareholders on the basis of the financial year ending 30th June 1988, to Permodalan Nasional Berhad on the basis of eleven (11) new shares in the Company for each Ordinary share in H & C be and is hereby approved and that the Directors of the Company be and are hereby authorised to enter into a Sale and Purchase Agreement with Permodalan Nasional Berhad and to do all such acts and things as they may consider necessary or expedient in the best interests of the Company."

Kuala Lumpur
4th June, 1988

By Order of the Board
Mohamed Haji Said
Secretary

Notes
Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

Interest Rate Change

Allied Irish Banks plc announces that with effect from close of business on 3rd June 1988, its Base Rate was increased from 7½% to 8% p.a.


Allied Irish Bank

Head Office — Britain: 64/66 Coleman Street, London EC2R 5AL. Tel: 01-588 009
and branches throughout the country.

HENDERSON
ADMINISTRATION GROUP plc

Results for the year to 31st March 1988

	1988	1987
Profit before tax in £000	22,456	26,411

Earnings per ordinary share in pence*	65.73	80.44
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Dividends per ordinary share in pence	27.00	25.00
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Net assets in £000	45,561*	37,546
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Funds under management in \$million	7,611	7,027
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*Earnings per ordinary share are shown before transfer to initial charges equalisation reserve.

Copies of the Annual Report may be obtained from the Company Secretary, Henderson Administration Group plc, 3 Finsbury Avenue, London EC2M 2PA.

The above figures are extracted from the accounts of the Group on which the auditors have given an unqualified opinion. The accounts will be filed with the Registrar of Companies.

HENDERSON
THE INVESTMENT MANAGERS

INTERNATIONAL COMPANIES AND FINANCE

Icahn says banks will lend \$8.86bn for Texaco bid

BY JAMES BUCHAN IN NEW YORK

MR CARL ICAHN, the Wall Street investor who is seeking to launch a \$14.22bn offer for Texaco, said yesterday he could easily finance his unprecedented takeover bid by borrowing from banks and selling off valuable assets from the oil company.

In a lengthy presentation to Texaco's institutional stockholders and Wall Street analysts yesterday, Mr Icahn said he had talked to bankers and saw no difficulty in raising the \$8.86bn in finance he says he will need for his \$50 a share offer.

"We've had talks with banks and we see no problem at all about borrowing the \$8.86bn," Mr Icahn said after the meeting at a Manhattan hotel on Thursday night.

But Texaco yesterday said the financing plan was "sketchy, sloppy and wrong." It said Mr Icahn would really have to raise more than \$20bn to complete the takeover.

Mr Icahn, who owns Trans World Airlines and is a leading stockholder in the US steel and energy group as well as Texaco, rejected a demand that he produce an opinion from an investment bank that he can finance what would be the largest takeover bid in history.

"I have more capital than most of these investment bankers," he said. He has also promised to forfeit \$100m if he cannot raise the money.

Mr Icahn also warned the assembled stockholders that he

would drop his offer and sell his 14.5 per cent stake in Texaco at below market prices if they failed to support his proxy fight with the company's management.

He said state takeover regulations prevented him raising the money for the takeover bid unless Texaco's management, which has dismissed his offer as illusory, agreed to put the proposal to stockholders. Mr Icahn has launched his proxy fight to put five directors on Texaco's board at the June 17 annual meeting and force the company to present the offer to share holder vote.

In a bravura performance before 500 Wall Street fund managers, analysts and arbitrageurs, Mr Icahn said it would cost \$14.22bn to buy the shares he does not own and various Texaco obligations. He said he would raise \$5.36bn of the necessary funds through the after-tax proceeds of selling Texaco Canada and Caltex, Texaco's Asian joint venture with Chevron.

The remaining \$8.86bn could be easily financed, from Texaco's annual cash flow, which he estimated at \$2.99bn after the sale of the two companies. He said his interest cost would be only \$700m a year after tax, which would be covered by a year's oil exploration, capital expenditures and repayment of principal.

"I'm not looking to liquidate Texaco but to keep it a strong, core oil company," he said.

Bow pays less for Ocelot

BY DAVID OWEN IN TORONTO

BOW VALLEY INDUSTRIES, the Canadian oil and gas group in which British Gas holds a 51 per cent equity interest, is to pay 12 per cent less than originally announced for an Ocelot Industries subsidiary which owns substantial natural gas reserves in south-west Saskatchewan.

Bow Valley will now pay C\$42m (US\$27m) in cash for the assets, which include 470m cu ft of proven natural gas reserves. The preliminary purchase price agreed was C\$38m.

According to Mr Brooke Wade, Ocelot's president, the adjustment was due to evolving perceptions of the physical attributes of the property.

Robert Gibbons writes from Montreal: The Canadian arm of Ultramar of the UK moved firmly into the black in 1987, with earnings of C\$47m, compared with a loss of C\$12m in 1986. Revenues were \$1.53bn a year, and return on average capital employed 13.4 per cent, up from 5.5 per cent in 1986.

China told to issue shares to foreigners

By Robert Thomson in Peking

A SENIOR Chinese economic official has stated the limits of the Communist Party's reform programme by urging companies to issue shares to foreigners in order to raise needed capital.

Share issues for Chinese remain a subject of controversy, and the "shares" the Government claims have been issued by 6,000 factories are generally no more than bonds, entitling investors to interest but providing no ownership rights.

However, Sun Fehai, a provincial manager of the People's Bank of China, the central bank, said that issuing shares to foreigners is a "sure way for Chinese enterprises to raise needed capital for development."

Mr Sun, based in Shenyang, a northern city experimenting with financial instruments, said in the official press that such share issues would be particularly useful in funding the overhaul of outdated enterprises, and claimed that a proposed issue by the state-run Shenyang Motor Vehicle Corporation has already attracted foreign interest.

A Chinese newspaper, the Financial Times, itself partly owned by the People's Bank (and unrelated to this newspaper), has promised to publish a prospectus of sorts for the vehicle corporation.

While the Communist Party likes the idea of shares as a means of raising capital, the concept of shareholding ownership has been difficult to digest ideologically, and the vast majority of share-cum-bond issues have been restricted to workers in the factory concerned.

Party reformers have sought to expand the share issues, and the Economic Daily recently asserted that "shares are a product of an advanced commodity economy - capitalism cannot do without them, and socialism can also make use of them." The key words are commodity economy, as the party claims to be developing a "socialist commodity economy."

Tony Walker and Andrew Gowers report on fears surrounding an Islamic financial sector Egyptian investment house calls the faithful

EL RAYAN, the largest of Egypt's Islamic finance companies, this week bussed thousands of its depositors to farmland it owns near Cairo to decide whether it should continue in business or go into liquidation.

It was hardly an orthodox response to weeks of unfavorable official publicity that is threatening the survival of the country's new Islamic investment houses and putting in jeopardy the savings of perhaps as many as 250,000 depositors.

But then there is little that is conventional about these Islamic institutions.

Some 10,000 investors gave their approval for El Rayan to continue its activities following speeches by directors who included a prominent Islamist scholar.

El Rayan's extraordinary rally on Wednesday - the first of several depositors' meetings planned by Islamic institutions in the next few weeks - followed a decision late last month by a number of the companies to declare a moratorium on transactions.

This stemmed from fears that they would collapse if a run on deposits, sparked by adverse official publicity, turned into a stampede.

Owners of these institutions say openly that they could not sustain a massive withdrawal of funds. Mr Ahmed Tewfik, chairman of El Rayan, where deposits total E£1.5bn (\$655.5m), said this week that his company would "collapse" if too many of its

250,000 depositors demanded their money.

"If people want their money back, we will return it," he said. "But give me time."

The issue has become highly political and potentially embarrassing for the Government which appears to have handled it clumsily. There is no doubt that a ferocious campaign in the state-controlled press against the Islamic investment sector helped provoke the present crisis.

El Rayan, which is the most prominent of the investment companies, paid out E£170m to depositors in the three weeks to the middle of May before suspending transactions. Al Hoda Mir and Al Saad, the two other members of the trioka of big investment houses, also experienced similar runs on their deposits.

Last week, the authorities declared a temporary halt to hostilities. The issue which remains, nevertheless, deeply worrying for the Government.

Investors in these companies are likely to blame the authorities - and not the financial institutions themselves - if there is a crash and they lose their money. Funds of these institutions have managed to deflect for the time being the wrath of depositors by accusing the Government of provoking the crisis.

Western bankers fault the authorities for moving much too slowly to regulate the Islamic sector, which has grown



Dr Atef Sedki, Egypt's Prime Minister set deadline

extremely quickly because it has been offering returns on Egyptian pound and US dollar deposits of 20 per cent or more. There is widespread concern at the companies' highly informal capital structure, and the lack of reliable information about their activities.

It is also suspected that some of them may have been indulging in pyramid schemes whereby dividends are paid from the funds of new depositors - a claim vigorously denied by the companies themselves.

Fuelling the Government's concern is the fact that the Islamic investment sector has benefited from the strengthening religious trend in Egypt.

A prominent banker described

the dispute between the Government and the Islamic investment houses as a dangerous development which could explode at any moment. "They have become so large that they're difficult to control," he said.

Egypt's Islamic investment sector, which includes about 50 investment houses, many of them very small institutions, is estimated to be providing between E£5bn and E£8bn in deposits. If one or more of the larger companies collapsed it would send shock waves through the whole financial sector.

These institutions are big clients of a number of Egyptian banks. Several are also shareholders in smaller banks. Massive withdrawals of funds would be likely to provoke a liquidity squeeze in the banking sector.

The Government, whose hesitancy in tackling this issue may reflect internal divisions, has proposed a new law to regulate these companies. The law, which has not yet been published or introduced in parliament where it is certain to be hotly debated and possibly delayed, requires that Islamic institutions form joint stock companies and offer share certificates in exchange for deposits.

This way, the authorities hope, the companies will be drawn gradually into the formal business life of the country. Dr Atef Sedki, the Prime Minister, said last week they would be given a year in which to comply.

In the meantime, however, the question in Egypt is not so much whether these companies will prove susceptible to regulation, but whether they will survive at all, pursuing their traditional activities of commodity trading, gold speculation and property investment.

Mr Tewfik of El Rayan said that because of the Government campaign he would recommend to depositors that his company engage in no new investments in local industry. "If the Government wants people to invest, it should keep the market quiet," he said.

He observed that it was probably a mistake to have invested in industrial projects since in present circumstances it would be difficult to liquidate such holdings quickly and profitably.

Mr Tewfik said that of his company's deposits, 30 per cent was invested in industrial activities, and 30 to 40 per cent was held outside the country. Much of this was used to finance commodity, money market and property speculation. The balance of some 20 per cent, including three times of the total, was held in Egypt.

The Government's fear appears to be that a high proportion of deposits are held abroad and therefore already beyond its reach. But in openly airing its worries about the financial well-being of these companies, it is in danger of creating a self-fulfilling prophecy.

Additional research by Gihan Alaily

Japanese corporate profit growth forecast at 7.7%

BY IAN RODGER IN TOKYO

PROFIT GROWTH of leading Japanese companies is expected to slow considerably this year, according to the Wako Economic Research Institute in Tokyo.

The institute forecasts that pre-tax profit growth of 444 leading quoted companies, excluding banks and non-life insurance companies, will average 7.7 per cent in the fiscal year to March 1989, compared with 19.2 per cent.

None the less, if this comes about, the profit level would be a new record, exceeding the previous one set in the year to March 1985. On an index of 100 in 1974, the 1984-5 average profit level of leading companies was 201.2. This year's forecast is 215.7.

Waco said that profit growth would come from lower raw material costs and expanding domestic demand, especially in the consumer sector.

It estimated that steelmakers' profits would double this year, after recovering from loss last year while other manufacturers' profits would rise 20.1 per cent following on last year's 39.7 per cent rise.

On the other hand, non-manufacturing industries' profits could fall 8.4 per cent after a drop of 5.1 per cent last year, mainly because of a margin squeeze on the electric power and gas companies.

Hitachi rises 40% to Y136.8bn

BY OUR FINANCIAL STAFF

HITACHI, the Japanese electronics producer, pushed worldwide profits up by nearly 40 per cent to reach Y136.8bn (\$1,068m) in its year to March, compared with Y98.7bn.

It expects further progress to the Y160bn level this year, in which computers and microchips

will play a big part. Its consumer electronics side did not do well in 1987-88 and is not expected to fare much better this time.

Overall sales were less than 3 per cent higher at Y4,975bn as turnover in both consumer products and power equipment declined by more than 5 per cent.

The strongest gain came in information and communication systems and electronic devices, which now represent a third of all Hitachi's business and where revenues rose 11 per cent.

Sales abroad were down 6 per cent at less than a quarter of the total.

Nomura Securities falls by over a fifth

BY OUR FINANCIAL STAFF

NOMURA SECURITIES, Japan's biggest stockbroker, showed a decline of more than a fifth in group net profits for its first half to March.

The setback, which is seen largely as reflecting the thinner

trading volumes since the October crash, left global after-tax earnings at Y36.5bn (\$285.5m).

This fall of 20.4 per cent was, however, only slightly more than the 21.4 per cent fall in the parent company alone - uncom-

solidated net profits, reported six weeks ago, were down 19.9 per cent at Y38.4bn.

Group revenues contracted 4.9 per cent to Y492.9bn. Income for the parent only, at Y404.4bn, was a steeper 13.2 per cent lower.

WORLD COMMODITIES PRICES

Week in the Markets

Booming world industrial production helped to boost aluminium and zinc prices to record levels on the London Metal Exchange this week.

At the same time, fears about the inflation this might cause gave a substantial lift to precious metal prices. At the beginning of the week platinum was the star, which was opened as usual on Monday, and then spread to New York and London the following day.

The London price jumped to \$622 per troy ounce at one stage on Tuesday, more than \$40 above Friday's closing

level and the highest for nine and a half months.

Platinum ended the week at \$608.50 an ounce, up \$30 over the week, even though Japanese investors are now said to be selling the metal.

Yesterday it was the turn of gold and silver.

Gold reached a four-month peak of \$466 a troy ounce while silver soared to a six-month high of \$7.35 cents before the prices eased back slightly to \$464.50 and \$53.

Mr Graham Birch, an analyst at Kleinwort Greaves Securities, said silver had been the first metal to take off and had dragged gold along.

Silver prices started to move sharply higher in the US late on Thursday after the market there, rather late in the day, caught up with news from Peru that strikes had halted silver shipments from two big mines.

The US investors' long-standing affection for silver, stemming from the time when they were not permitted to hoard gold, was highlighted this week in Shearson Lehman Hutton's annual review of the world silver market.

"The silver market in the street is still, looking for the metal hedge and silver, by virtue of its price, is very attractive," said Miss Rhona O'Connell, one of the authors.

Shearson reckoned that the silver's price is likely to spend most of 1988 between \$6 and \$7 an ounce and average \$6.50 for this year as a whole.

Silver should give a good account of itself throughout the summer and autumn, clear \$7 an ounce by the year's end and then go on to average \$7.20 for next year, Shearson suggests.

As for the base metals, the week ended yesterday with the aluminium cash price reaching \$2,210, the highest price paid for the metal on the LME.

Dollar prices were also firmer but below recent peaks. On Tuesday the cash price of high grade aluminium jumped to \$3,335 a tonne.

Recently the LME board said the market was signalling a tightness of aluminium supply to June and indicated it was keeping a close eye on the situation.

Traders suggest one or two large players are using the fundamental shortage of aluminium to squeeze the market.

Prices can be expected to remain high in the short term, according to Mr David Culver, chairman of Alcan Aluminium. His company expects its prices to remain at the current levels - \$1,060 a lb or \$3,335 a tonne - until at least the end of September.

The LME cash price for 89.5 per cent

pure aluminium, the contract due to be phased out at the end of this year but by far the most liquid, ended yesterday at \$2,200 a tonne, up \$485 over the week. High grade, or 99.7 per cent pure, aluminium showed a \$765 increase to \$3,390 for cash metal.

Zinc performed equally well, showing a \$71.50 rise over the week for cash metal to \$742.50 per tonne, the highest for three years. The dollar price in early trading reached a record \$1,252.

Demand from the galvanneal steel industry, which in turn can hardly keep pace with orders from its automotive customers, remains strong and the market is

becoming increasingly nervous of a possible strike at Curragh Resources, a major Canadian lead-zinc supplier, which failed to agree a pay deal this week. On top of that the zinc market is also feeling the impact of current problems affecting most Peruvian mines.

Worries about a strike at Inco, the biggest nickel producer, ended when the company agreed a new pay deal. Nickel shipments from the Dominican Republic also re-started and this good news for consumers saw the LME cash price fall \$500 over the week to \$15,000 a tonne.

Kenneth Goring

WEEKLY PRICE CHANGES				
	Latest prices	Change on week ago	Year ago	High 1988
Gold per troy oz.	\$464.75	+12.25	\$454.25	\$485.5
Silver per troy oz.	\$53.50	+4.75	\$48.20	\$53.75
Aluminium 99.7% (cash)	\$390.00	+7.65	\$382.00	\$391.5
Copper Grade A (cash)	\$137.50	+2.71	\$135.75	\$137.5
Lead (cash)	\$376.50	-0.5	\$382.5	\$402.5
Nickel (cash)	\$150.00	-5.00	\$155.00	\$162.5
Zinc (cash)	\$742.50	+71.5	\$671.00	\$742.5
Tin (cash)	\$2,210.00	+165	\$2,045.00	\$2,210.00
Cocoa Futures (July)	\$362.00	+37	\$325.00	\$362.00
Coffee Futures (July)	\$113.50	+76	\$132.50	\$131.7
Sugar (LDP Raw)	\$254.00	+13.6	\$167.2	\$254.0
Barley Futures (Nov)	\$102.7	+0.1	\$97.85	\$105.85
Wheat Futures (Sept)	\$104.15	+0.8	\$99.8	\$110.35
Cotton Futures (index)	\$66.50	+0.40	\$65.50	\$66.50
Wool (45 Super)	\$50.00	-0.20	\$49.00	\$50.00
Rubber (Spot)	\$4.00	-0.20	\$4.25	\$4.25
Oil (Brent Blend)	\$16.45	+0.225	\$16.25	\$17.25

Per tonne unless otherwise stated. Unquoted, p-pence/kg, c-cents/lb. 1-tun, Aluminium 99.7% only quoted since July.

SPOT MARKETS

Crude oil (per barrel FOB) \$ - or -

Dubai \$14.52-15.00

Brent Blend \$14.45-15.00

WTI (11th day) \$14.50-15.00

Oil products (NWE prompt delivery per cfr) \$ - or -

Premium Gasoline \$107.10

Gas Oil (Soviet) \$140.12

Heavy Fuel Oil \$156.18

Naphtha \$156.18

Petroleum Argus Estimates \$ - or -

Gold (per troy oz) \$464.75

Silver (per troy oz) \$53.50

Platinum (per troy oz) \$2,210.00

Aluminium (per troy oz) \$390.00

Copper (per troy oz) \$137.50

Lead (per troy oz) \$376.50

Nickel (per troy oz) \$150.00

Zinc (per troy oz) \$742.50

Tin (per troy oz) \$2,210.00

Cocoa (per troy lb) \$362.00

Coffee (per troy lb) \$113.50

Sugar (per troy lb) \$254.00

Barley (per troy lb) \$102.7

Wheat (per troy lb) \$104.15

Cotton (per troy lb) \$66.50

Wool (per troy lb) \$50.00

Rubber (per troy lb) \$4.00

Oil (per troy lb) \$16.45

LONDON METAL EXCHANGE				
	Close	Previous	High/Low	AM Official
Aluminium 99.7% (per tonne)	390.00	382.00	391.50	391.50
Cash	390.00	382.00	391.50	391.50
3 months	390.00	382.00	391.50	391.50
Aluminium 99.7% (per tonne)	390.00	382.00	391.50	391.50
Cash	390.00	382.00	391.50	391.50
3 months	390.00	382.00	391.50	391.50
Copper Grade A (per tonne)	137.50	135.75	137.50	137.50
Cash	137.50	135.75	137.50	137.50
3 months	137.50	135.75	137.50	137.50
Copper Standard (per tonne)	137.50	135.75	137.50	137.50
Cash	137.50	135.75	137.50	137.50
3 months	137.50	135.75	137.50	137.50
Lead (per tonne)	376.50	382.50	402.50	402.50
Cash	376.50	382.50	402.50	402.50
3 months	376.50	382.50	402.50	402.50
Nickel (per tonne)	150.00	155.00	162.50	162.50
Cash	150.00	155.00	162.50	162.50
3 months	150.00	155.00	162.50	162.50
Zinc (per tonne)	742.50	671.00	742.50	742.50
Cash	742.50	671.00	742.50	742.50
3 months	742.50	671.00	742.50	742.50

3 months	353-3	342-4	355/348	351-2	354-5	11,837 lots
Nickel (\$ per tonne)						
Cash	14990-5100	14880-000	15100	15000-200		Ring turnover 600 tons
3 months	13550-600	13955-75	13950/13500	13550-600	8,258 lots	
Zinc (\$ per tonne)						
Cash	746-5	710-4	750	748-8		Ring turnover 25,125 tons
3 months	695-4	672-3	695/691	697-6	693-4	20,291 lots

LONDON METAL EXCHANGE TRADED OPTIONS					
Underlying (99.7%)	Calls	Puts	LONDON BULLION MARKET		
Strike price & tenure	July	Sept	July	Sept	£ equivalent
2550	474	304	17	112	
2750	312	211	54	274	
2950	185	141	108	401	
Aluminium (90.5%)	Calls	Puts			
2550	448	271	17	148	
2750	301	186	85	275	
2950	163	132			
Copper (99.95%)	Calls	Puts			
2100	438	233	18	60	
2300	310	147	44	121	

Close	£ price	£ equivalent
Opening	4241-463	258-250 1/2
Morning low	4241-463	258-254 1/4
Afternoon high	4241-463	258-254
Day's low	4241-463	
Day's high	4241-463	
Calls	£ price	£ equivalent
US Eagle	478 1/2-483 1/2	286-289
MacAulay	478 1/2-483 1/2	286-289
B-Stamp	478 1/2-483 1/2	286-289
Kruggerand	453-466	287-289
1/2 Krug	242-251	154 1/4-138 1/2

CURRENCIES AND MONEY

FOREIGN EXCHANGES

Further losses for sterling

STERLING CONTINUED to lose ground yesterday, paying little attention to Thursday's half point rise in base rates. However one dealer suggested that as long as it remained above major chart support levels at 1.7720 and DM3.0550, and an exchange rate index of 75.7, the pound could well recover, and resume an upward trend.

Yesterday its index closed at 76.2, down from 76.5 at the start and on Thursday. Nevertheless, there was uncertainty as to how much further the pound would be allowed to fall before the authorities sanctioned another rise in base rates. One analyst suggested that the recent strength of the dollar was likely to play a vital role. While the US unit remained an attractive alternative, the pound was likely to suffer. Yesterday's decision by the Bank of England to operate in the money market at unchanged dealing

rates also caused disappointment. The pound fell to DM3.1000 from DM3.0550 and £1.7500 compared with £1.8000. It was also lower against the yen at ¥228.00 from ¥227.75. Elsewhere it finished at SF2.5825 from SF2.5850 and FF10.4700 compared with FF10.5025.

The dollar showed mixed changes, finishing the week on a very lacklustre note, having failed to derive any incentive from yesterday's release of US unemployment data.

This showed a rise of 209,000 in non-farm payroll employment in May, which was smaller than expected. However this was offset by an upward revision in the April figure to a rise of 249,000. The overall civilian unemployment rate rose to 5.6 p.c. from 5.4 p.c.

The immediate impression suggested that the US Federal Reserve was unlikely to come

under pressure to tighten credit policies, because the employment figures were not considered to be inflationary.

The dollar closed at DM1.7770 from DM1.7845 and ¥126.50 compared with ¥126.50. Elsewhere it finished at SF1.4385 from SF1.4365 and FF5.8325 from FF5.8350. On Bank of England figures, the dollar's exchange rate index slipped to 93.9 from 94.2.

Elsewhere the D-Mark fell to ¥72.90 from ¥73.37 after a statement by the Bank of Japan, which claimed that a weaker yen could increase inflationary pressures. This was seen as a hint of official displeasure at the yen's recent decline against the dollar. However dealers pointed out that the unwinding of long yen/short D-Mark positions had now, largely run its course, suggesting that the yen was more likely to stabilise.

£ IN NEW YORK		
June 3	Latest	Previous
1 month	1.7940-1.7970	1.8025-1.8055
3 months	1.8110-1.8140	1.8180-1.8210
6 months	1.8280-1.8310	1.8320-1.8350
12 months	1.8450-1.8480	1.8480-1.8510
Forward premiums and discounts apply to the US dollar		

STERLING INDEX		
June 3	Latest	Previous
0.30	76.2	77.1
0.40	76.2	77.1
0.50	76.2	77.1
0.60	76.2	77.1
0.70	76.2	77.1
0.80	76.2	77.1
0.90	76.2	77.1
1.00	76.2	77.1
1.10	76.2	77.1
1.20	76.2	77.1
1.30	76.2	77.1
1.40	76.2	77.1
1.50	76.2	77.1
1.60	76.2	77.1
1.70	76.2	77.1
1.80	76.2	77.1
1.90	76.2	77.1
2.00	76.2	77.1

CURRENCY RATES		
June 3	Latest	Previous
US Dollar	1.7940	1.8025
US Dollar	1.8110	1.8180
US Dollar	1.8280	1.8320
US Dollar	1.8450	1.8480
US Dollar	1.8620	1.8650
US Dollar	1.8790	1.8820
US Dollar	1.8960	1.8990
US Dollar	1.9130	1.9160
US Dollar	1.9300	1.9330
US Dollar	1.9470	1.9500
US Dollar	1.9640	1.9670
US Dollar	1.9810	1.9840
US Dollar	1.9980	2.0010
US Dollar	2.0150	2.0180
US Dollar	2.0320	2.0350
US Dollar	2.0490	2.0520
US Dollar	2.0660	2.0690
US Dollar	2.0830	2.0860
US Dollar	2.1000	2.1030
US Dollar	2.1170	2.1200
US Dollar	2.1340	2.1370
US Dollar	2.1510	2.1540
US Dollar	2.1680	2.1710
US Dollar	2.1850	2.1880
US Dollar	2.2020	2.2050
US Dollar	2.2190	2.2220
US Dollar	2.2360	2.2390
US Dollar	2.2530	2.2560
US Dollar	2.2700	2.2730
US Dollar	2.2870	2.2900
US Dollar	2.3040	2.3070
US Dollar	2.3210	2.3240
US Dollar	2.3380	2.3410
US Dollar	2.3550	2.3580
US Dollar	2.3720	2.3750
US Dollar	2.3890	2.3920
US Dollar	2.4060	2.4090
US Dollar	2.4230	2.4260
US Dollar	2.4400	2.4430
US Dollar	2.4570	2.4600
US Dollar	2.4740	2.4770
US Dollar	2.4910	2.4940
US Dollar	2.5080	2.5110
US Dollar	2.5250	2.5280
US Dollar	2.5420	2.5450
US Dollar	2.5590	2.5620
US Dollar	2.5760	2.5790
US Dollar	2.5930	2.5960
US Dollar	2.6100	2.6130
US Dollar	2.6270	2.6300
US Dollar	2.6440	2.6470
US Dollar	2.6610	2.6640
US Dollar	2.6780	2.6810
US Dollar	2.6950	2.6980
US Dollar	2.7120	2.7150
US Dollar	2.7290	2.7320
US Dollar	2.7460	2.7490
US Dollar	2.7630	2.7660
US Dollar	2.7800	2.7830
US Dollar	2.7970	2.8000
US Dollar	2.8140	2.8170
US Dollar	2.8310	2.8340
US Dollar	2.8480	2.8510
US Dollar	2.8650	2.8680
US Dollar	2.8820	2.8850
US Dollar	2.8990	2.9020
US Dollar	2.9160	2.9190
US Dollar	2.9330	2.9360
US Dollar	2.9500	2.9530
US Dollar	2.9670	2.9700
US Dollar	2.9840	2.9870
US Dollar	3.0010	3.0040
US Dollar	3.0180	3.0210
US Dollar	3.0350	3.0380
US Dollar	3.0520	3.0550
US Dollar	3.0690	3.0720
US Dollar	3.0860	3.0890
US Dollar	3.1030	3.1060
US Dollar	3.1200	3.1230
US Dollar	3.1370	3.1400
US Dollar	3.1540	3.1570
US Dollar	3.1710	3.1740
US Dollar	3.1880	3.1910
US Dollar	3.2050	3.2080
US Dollar	3.2220	3.2250
US Dollar	3.2390	3.2420
US Dollar	3.2560	3.2590
US Dollar	3.2730	3.2760
US Dollar	3.2900	3.2930
US Dollar	3.3070	3.3100
US Dollar	3.3240	3.3270
US Dollar	3.3410	3.3440
US Dollar	3.3580	3.3610
US Dollar	3.3750	3.3780
US Dollar	3.3920	3.3950
US Dollar	3.4090	3.4120
US Dollar	3.4260	3.4290
US Dollar	3.4430	3.4460
US Dollar	3.4600	3.4630
US Dollar	3.4770	3.4800
US Dollar	3.4940	3.4970
US Dollar	3.5110	3.5140
US Dollar	3.5280	3.5310
US Dollar	3.5450	3.5480
US Dollar	3.5620	3.5650
US Dollar	3.5790	3.5820
US Dollar	3.5960	3.5990
US Dollar	3.6130	3.6160
US Dollar	3.6300	3.6330
US Dollar	3.6470	3.6500
US Dollar	3.6640	3.6670
US Dollar	3.6810	3.6840
US Dollar	3.6980	3.7010
US Dollar	3.7150	3.7180
US Dollar	3.7320	3.7350
US Dollar	3.7490	3.7520
US Dollar	3.7660	3.7690
US Dollar	3.7830	3.7860
US Dollar	3.8000	3.8030
US Dollar	3.8170	3.8200
US Dollar	3.8340	3.8370
US Dollar	3.8510	3.8540
US Dollar	3.8680	3.8710
US Dollar	3.8850	3.8880
US Dollar	3.9020	3.9050
US Dollar	3.9190	3.9220
US Dollar	3.9360	3.9390
US Dollar	3.9530	3.9560
US Dollar	3.9700	3.9730
US Dollar	3.9870	3.9900
US Dollar	4.0040	4.0070
US Dollar	4.0210	4.0240
US Dollar	4.0380	4.0410
US Dollar	4.0550	4.0580
US Dollar	4.0720	4.0750
US Dollar	4.0890	4.0920
US Dollar	4.1060	4.1090
US Dollar	4.1230	4.1260
US Dollar	4.1400	4.1430
US Dollar	4.1570	4.1600
US Dollar	4.1740	4.1770
US Dollar	4.1910	4.1940
US Dollar	4.2080	4.2110
US Dollar	4.2250	4.2280
US Dollar	4.2420	4.2450
US Dollar	4.2590	4.2620
US Dollar	4.2760	4.2790
US Dollar	4.2930	4.2960
US Dollar	4.3100	4.3130
US Dollar	4.3270	4.3300
US Dollar	4.3440	4.3470
US Dollar	4.3610	4.3640
US Dollar	4.3780	4.3810
US Dollar	4.3950	4.3980
US Dollar	4.4120	4.4150
US Dollar	4.4290	4.4320
US Dollar	4.4460	4.4490
US Dollar	4.4630	4.4660
US Dollar	4.4800	4.4830
US Dollar	4.4970	4.5000
US Dollar	4.5140	4.5170
US Dollar	4.5310	4.5340
US Dollar	4.5480	4.5510
US Dollar	4.5650	4.5680
US Dollar	4.5820	4.5850
US Dollar	4.5990	4.6020
US Dollar	4.6160	4.6190
US Dollar	4.6330	4.6360
US Dollar	4.6500	4.6530
US Dollar	4.6670	4.6700
US Dollar	4.6840	4.6870
US Dollar	4.7010	4.7040
US Dollar	4.7180	4.7210
US Dollar	4.7350	4.7380
US Dollar	4.7520	4.7550
US Dollar	4.7690	4.7720
US Dollar	4.7860	4.7890
US Dollar	4.8030	4.8060
US Dollar	4.8200	4.8230
US Dollar	4.8370	4.8400
US Dollar	4.8540	4.8570
US Dollar	4.8710	4.8740
US Dollar	4.8880	4.8910
US Dollar	4.9050	4.9080
US Dollar	4.9220	4.9250
US Dollar	4.9390	4.9420
US Dollar	4.9560	4.9590
US Dollar	4.9730	4.9760
US Dollar	4.9900	4.9930
US Dollar	5.0070	5.0100
US Dollar	5.0240	5.0270
US Dollar	5.0410	5.0440
US Dollar	5.0580	5.0610
US Dollar	5.0750	5.0780
US Dollar	5.0920	5.0950
US Dollar	5.1090	5.1120
US Dollar	5.1260	5.1290
US Dollar	5.1430	5.1460
US Dollar	5.1600	5.1630
US Dollar	5.1770	5.1800
US Dollar	5.1940	5.1970
US Dollar	5.2110	5.2140
US Dollar	5.2280	5.2310
US Dollar	5.2450	5.2480
US Dollar	5.2620	5.2650
US Dollar	5.2790	5.2820
US Dollar	5.2960	5.2990
US Dollar	5.3130	5.3160
US Dollar	5.3300	5.3330
US Dollar	5.3470	5.3500
US Dollar	5.3640	5.3670
US Dollar	5.3810	5.3840
US Dollar	5.3980	5.4010
US Dollar	5.4150	5.4180
US Dollar	5.4320	5.4350
US Dollar	5.4490	5.4520
US Dollar	5.4660	5.4690
US Dollar	5.4830	5.4860
US Dollar	5.5000	5.5030
US Dollar	5.5170	5.5200
US Dollar	5.5340	5.5370
US Dollar	5.5510	5.5540
US Dollar	5.5680	5.5710
US Dollar	5.5850	5.5880
US Dollar	5.6020	5.6050
US Dollar	5.6190	5.6220
US Dollar	5.6360	5.6390
US Dollar	5.6530	5.6560
US Dollar	5.6700	5.6730
US Dollar	5.6870	5.6900
US Dollar	5.7040	5.7070
US Dollar	5.7210	5.7240
US Dollar	5.7380	5.7410
US Dollar	5.7550	5.7580
US Dollar	5.7720	5.7750
US Dollar	5.7890	5.7920
US Dollar	5.8060	5.8090
US Dollar	5.8230	5.8260
US Dollar	5.8400	5.8430
US Dollar	5.8570	5.8600
US Dollar	5.8740	5.8770
US Dollar	5.8910	5.8940
US Dollar	5.9080	5.9110
US Dollar	5.9250	5.9280
US Dollar	5.9420	5.9450
US Dollar	5.9590	5.9620
US Dollar	5.9760	5.9790
US Dollar	5.9930	5.9960
US Dollar	6.0100	6.0130
US Dollar	6.0270	6.0300
US Dollar	6.0440	6.0470
US Dollar	6.0610	6.0640
US Dollar	6.0780	6.0810
US Dollar	6.0950	6.0980
US Dollar	6.1120	6.1150
US Dollar	6.1290	6.1320
US Dollar	6.1460	6.1490
US Dollar	6.1630	6.1660
US Dollar	6.1800	6.1830
US Dollar	6.1970	6.2000
US Dollar	6.2140	6.2170
US Dollar	6.2310	6.2340
US Dollar	6.2480	6.2510
US Dollar	6.2650	6.2680
US Dollar	6.2820	6.2850
US Dollar	6.2990	6.3020
US Dollar	6.3160	6.3190
US Dollar	6.3330	6.3360
US Dollar	6.3500	6.3530
US Dollar	6.3670	6.3700
US Dollar	6.3840	6.3870
US Dollar	6.4010	6.4040
US Dollar	6.4180	6.4210
US Dollar	6.4350	6.4380
US Dollar	6.4520	6.4550
US Dollar	6.4690	6.4720
US Dollar	6.4860	6.4890
US Dollar	6.5030	6.5060
US Dollar	6.5200	6.5230
US Dollar	6.5370	6.5400
US Dollar	6.5540	6.5570
US Dollar	6.5710	6.5740
US Dollar	6.5880	6.5910
US Dollar	6.6050	6.6080
US Dollar	6.6220	6.6250
US Dollar	6.6390	6.6420
US Dollar	6.6560	6.6590
US Dollar	6.6730	6.6760
US Dollar	6.6900	6.6930
US Dollar	6.7070	6.7100
US Dollar	6.7240	6.7270
US Dollar	6.7410	6.7440
US Dollar	6.7580	6.7610
US Dollar	6.7750	6.7780
US Dollar	6.7920	6.7950
US Dollar	6.8090	6.8120

**AUTHORISED
UNIT TRUSTS**[illegible]

هكذا عنه الرجل

Continued on next page

FTU

هكذا عن الفصل

LONDON SHARE SERVICE

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd.										BUILDING, TIMBER, ROADS										DRAPERY AND STORES—Contd.										ENGINEERING—Contd.										INDUSTRIALS (Miscel.)—Contd.										INDUSTRIALS (Miscel.)—Contd.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	64

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MINES - Contd					
1968	Stock	Price	% ch	Div	Cov'd
15	Revdur East M	12	-		
16	Revdur East M	12	-		
37	25Worpan Acum 25c	12	-		
38	25Worpan Acum 25c	12	-		
40	25Worpan Acum 25c	12	-		
41	25Worpan Acum 25c	12	-		
42	25Worpan Acum 25c	12	-		
43	25Worpan Acum 25c	12	-		
44	25Worpan Acum 25c	12	-		
45	25Worpan Acum 25c	12	-		
46	25Worpan Acum 25c	12	-		
47	25Worpan Acum 25c	12	-		
48	25Worpan Acum 25c	12	-		
49	25Worpan Acum 25c	12	-		
50	25Worpan Acum 25c	12	-		
51	25Worpan Acum 25c	12	-		
52	25Worpan Acum 25c	12	-		
53	25Worpan Acum 25c	12	-		
54	25Worpan Acum 25c	12	-		
55	25Worpan Acum 25c	12	-		
56	25Worpan Acum 25c	12	-		
57	25Worpan Acum 25c	12	-		
58	25Worpan Acum 25c	12	-		
59	25Worpan Acum 25c	12	-		
60	25Worpan Acum 25c	12	-		
61	25Worpan Acum 25c	12	-		
62	25Worpan Acum 25c	12	-		
63	25Worpan Acum 25c	12	-		
64	25Worpan Acum 25c	12	-		
65	25Worpan Acum 25c	12	-		
66	25Worpan Acum 25c	12	-		
67	25Worpan Acum 25c	12	-		
68	25Worpan Acum 25c	12	-		
69	25Worpan Acum 25c	12	-		
70	25Worpan Acum 25c	12	-		
71	25Worpan Acum 25c	12	-		
72	25Worpan Acum 25c	12	-		
73	25Worpan Acum 25c	12	-		
74	25Worpan Acum 25c	12	-		
75	25Worpan Acum 25c	12	-		
76	25Worpan Acum 25c	12	-		
77	25Worpan Acum 25c	12	-		
78	25Worpan Acum 25c	12	-		
79	25Worpan Acum 25c	12	-		
80	25Worpan Acum 25c	12	-		
81	25Worpan Acum 25c	12	-		
82	25Worpan Acum 25c	12	-		
83	25Worpan Acum 25c	12	-		
84	25Worpan Acum 25c	12	-		
85	25Worpan Acum 25c	12	-		
86	25Worpan Acum 25c	12	-		
87	25Worpan Acum 25c	12	-		
88	25Worpan Acum 25c	12	-		
89	25Worpan Acum 25c	12	-		
90	25Worpan Acum 25c	12	-		
91	25Worpan Acum 25c	12	-		
92	25Worpan Acum 25c	12	-		
93	25Worpan Acum 25c	12	-		
94	25Worpan Acum 25c	12	-		
95	25Worpan Acum 25c	12	-		
96	25Worpan Acum 25c	12	-		
97	25Worpan Acum 25c	12	-		
98	25Worpan Acum 25c	12	-		
99	25Worpan Acum 25c	12	-		
100	25Worpan Acum 25c	12	-		

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Glynwed to buy Amari for £98m

By Philip Coggan

GLYNWED International, the Midlands-based industrial group yesterday announced a recommended £98m offer for Amari, the steel and plastics distribution company.

Amari has been the subject of takeover rumours for some time but most bid speculation had centred on Suter, the acquisitive industrial conglomerate run by Mr David Abell. Suter had built a 28 per cent stake but has agreed to accept Glynwed's share offer, giving it a paper profit of about £7m.

Glynwed bought a 4.9 per cent stake in Amari last year but it had been looking at the company well before that. "We've done so many appraisals on Amari that our files on it are nine inches thick," said Mr Gareth Davies, chairman and chief executive.

The acquisition is the largest yet by Glynwed, which has transformed both its image and its profits in recent years. In the late 1970s, it was a perceived as a struggling metalhanger but it has won a reputation for being a company with strong management and sound financial controls, manufacturing and distributing a range of products from Aga cookers to plastic piping.

Mr Davies said the Amari acquisition would not dilute Glynwed's earnings. Since 1985, the group has set, and met, a 20 per cent target for annual earnings per share growth. In 1987, Glynwed made pre-tax profits of £64.4m on turnover of £569m.

Amari joined the stock market in 1984 after an employee buy-out from its former parent, British Petroleum, late the previous year. Two years later, a slump in metal prices caused a dip in the company's profits and since then it has been re-organising in an attempt to get back on the growth path.

Last year, it announced a 33 per cent rise in pre-tax profits to £7.3m, although earnings per share were static.

"Amari has put in a tremendous amount of investment in reorganising the business," said Mr Davies.

"As an acquisition, it's a perfect fit. Amari's steel stockholding business, Alcoa, will allow us to move further into special steels distribution. Amari Plastics specialises in distributing plastic sheets and rods whereas our expertise is in tubes and fittings. We should be able to put their products through our international network."

The Glynwed offer is 58 of its shares for every 100 in Amari, which, based on yesterday's closing price for Glynwed of 437p, down 22p, values each Amari share at 250p. There is also a cash offer of 241p per share. Amari shares closed up 57p at 250p.

Glynwed is advised by J Henry Schroder Wagg, Amari by Prudential-Bache Capital Funding.

Continued from Page 1

Soviet trade

although the process would be complicated by internal changes within the organisation, largely resulting from inclusion of service industries in the current Uruguay round of trade liberalisation talks.

Mr Ivanov said the Soviet Union intended to make a big push to develop its export sector from 1990 to 1995, to provide a basis for introducing a convertible rouble.

Baker hints at higher pay rises for head teachers

By DAVID THOMAS, EDUCATION CORRESPONDENT

HEAD TEACHERS and their deputies would receive pay rises above those of other teachers next year, Mr Kenneth Baker, Education Secretary, hinted yesterday.

He said pay settlements would need to recognise changes in the role of head teachers and their deputies that derive from the Government's education reforms.

Mr Baker, speaking at the annual conference of the National Association of Head Teachers in Eastbourne, tried to meet head teachers' concerns about the reforms, particularly the proposal to delegate a range of financial and management decisions to schools by 1993.

He said a task force would be set up to improve management training for head teachers.

He also announced that the share of local authority spending met by central government on the training of head teachers connected with testing, financial del-

egation and teacher appraisal would be raised from 50 to 70 per cent.

Mr Baker disclosed no other new spending and his speech was given a polite, but lukewarm, reception by delegates.

Mr David Hart, the association's general secretary, welcomed Mr Baker's recognition of the role of head teachers and the introduction of the training task force, but said he was disappointed at the failure to announce significant new resources.

Mr Baker disclosed that contracts to develop tests outlined in the Education Reform Bill would be put out to tender this year, raising the possibility that the task could go to private companies instead of the traditional examining boards.

He wanted as many pupils as possible to reap the benefits of the national curriculum as soon as possible.

In England and Wales, five

year olds and twelve year olds are to be set educational targets and study programmes from September 1989 as a move towards the national curriculum and system of testing envisaged by the bill.

From September 1989, attainment targets and study programmes will be set for five year olds in maths, science and English, and possibly in design and technology. Twelve-year-olds will have them in maths and science, with English following a year later.

Mr Baker is considering introducing targets for eight year olds in maths, science and English in September 1990.

The targets and study programmes will allow pupils to prepare for the new national tests at ages 7, 11 and 14.

There will be higher limits on capacity, making it harder for individual schools to refuse admission.

Head teachers to investigate GCSE concerns, Page 4

Sterling continues to fall amid speculation on interest rates

By RALPH ATKINS

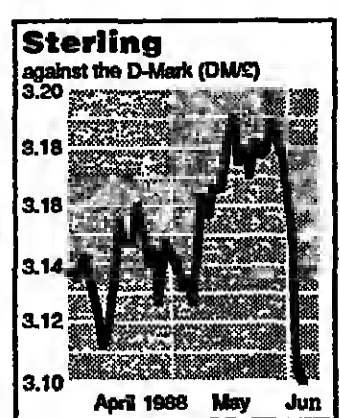
STERLING SLIPPED further against the D-Mark and dollar yesterday, ending a hectic week in which the pound has fallen more than 2 1/2 per cent against the currencies of Britain's main trading partners.

Thursday's half a percentage point rise in bank base rates to 8 per cent did little to halt the downward trend in sterling. This prompted speculation that the Bank of England might trigger another interest rate rise next week if the currency continues to fall.

The pound fell half a cent in London yesterday to close at \$1.7950. Against the D-Mark it ended at DM3.10 - slightly below the previous close of DM3.1050.

However, steep falls seen earlier in the week were not repeated and activity was quiet in the run up to the weekend. Since Tuesday, a large wave of selling has caused the pound to fall almost nine pence against the D-Mark and six cents against the dollar.

The Bank of England's trade weighted sterling index closed yesterday at 76.2 compared with



76.5 at the previous close and 2.6 per cent lower than its level at the beginning of the week.

The relative inactivity yesterday was thought by many analysts to be only a temporary pause. Trading was indecisive with the pound remaining about DM3.10 throughout most of the day.

Few traders felt confident in predicting what will happen in

the week ahead with any certainty but most felt the Government would probably face another difficult week as markets continued to test its interest rate and exchange rate policy.

The combination of a lower pound and higher interest rates is likely to have pleased the Bank of England which has often said it was unhappy with a high exchange rate and low interest rates.

However, some analysts believe the pound's fall might be corrected if investors perceive it as a cheap currency underpinned by high interest rates.

The dollar was little changed in London trading, with encouraging US employment statistics having little impact. In early trading in New York the dollar was quiet but the pound remained under some pressure.

Equity markets again edged higher yesterday, encouraged by a weaker pound, takeover activity and rises during the week in New York and Tokyo. The FT-SE 100 share index closed up 8.9 at 1819.2 and the FT ordinary index rose 1.0 to 1444.4.

Call for Japan chip sanctions

LOUISE KEHOE IN SAN FRANCISCO AND STEFAN WAGSTYL IN TOKYO

US SEMICONDUCTOR industry leaders will seek political support for new trade sanctions against Japan following the collapse of trade talks in Tokyo this week.

The talks were aimed at forcing Japan to open its market to foreign chip companies in accordance with the US's interpretation of the 1986 US-Japan Semiconductor Trade Agreement.

The negotiations foundered over a disagreement on how to measure foreign companies' progress in the Japanese market.

"We are extremely disappointed at our failure to agree on the most fundamental issue," said Mr Jon Cornell, a board member of the Semiconductor Industry Association, after a joint press conference was hastily abandoned.

It is understood that the industry will ask politicians and government officials in Washington to increase pressure on Japan to comply with the pact.

The controversial pact had two main elements. One was an agreement by Japanese companies to stop dumping chips at low prices in foreign markets. This led to punitive tariffs last year, but the issue was resolved by a worldwide surge in demand for chips.

The second element was Japan's agreement to open its market. According to the US, this included a commitment to increase the foreign share of its market to 20 per cent by 1991. Japanese officials argue that the numerical goal, in a "side letter" to the main agreement, is not part of the pact.

The US delegation was willing to drop references to the 20 per cent target, but the Japanese refused to accept the US contention that progress must be measured in terms of a market share increase.

They argued that the agree-

ment should include commitments to expand purchases of foreign products and to improve long-term customer-supplier relations. Extra market share might be the result of these, said the Japanese, but it should not be the criterion of success.

US industry officials said yesterday that foreign market share of the Japanese semiconductor market had fallen slightly to just under 10 per cent since the pact was signed.

The Japanese Ministry for International Trade and Industry contends that the foreign share has risen from 8.6 per cent to 10 per cent over the period.

Tariffs of 100 per cent were imposed last year on Japanese electronics imports worth \$300m (£167m) a year. They were partly lifted following settlement of the anti-dumping row but remain in force on \$16m of goods because of the market access dispute.

Reagan

Continued from Page 1

ton's Western allies that, with his term of office drawing to a close, he might be tempted to rush into a new strategic arms deal with Moscow in order to secure his place in history.

"We made tangible progress towards the Start (Strategic Arms Reduction Talks) treaty on strategic weapons," the President said. He did not suggest that such a treaty could be concluded during his term, saying only that it was "within our grasp."

Administration officials have offered a more pessimistic assessment of the outlook for a Start accord.

If there was little new in Mr Reagan's address, he once again displayed his remarkable ability to seize on the atmosphere of an event and shape it to his political purposes.

In an sometimes moving address he conjured up an atmosphere of common purpose within the West, lavished praise on his British audience and on Mrs Margaret Thatcher, and dismissed disagreements as the natural corollary of "the depth of our friendship."

"You are a brave people and this land is truly, as your majestic, moving hymn proclaims, a Land of Hope and Glory," he said, adding in an oblique reference to the Moscow visit: "[That] is why Nancy and I are glad to be in England once again... after

our long journey we feel amongst friends."

Describing Mrs Thatcher as "one of those who spoke with hope and strength" about the West rather than one of the "voices of denial and doubt," Mr Reagan struck a vaudeville note on what will almost certainly be his last visit to the UK as President.

He claimed credit with Mrs Thatcher for the West's "new post-war strategy," which he described as an effort to improve East-West relations from a platform of greater military strength, candour about the "moral and fundamental differences between statism and democracy" and "vigorous diplomatic engagement."

Referring to the speech he made in London in 1982 to both houses of parliament, in which he laid out the way he expected East-West relations to develop, Mr Reagan said that on that occasion "I suggested too, that in my way Marx was right when he said the political order would come into conflict with the economic order... only he was wrong in predicting which part of the world this would occur in."

"The crisis came not in the capitalist West but in the communist East... the tides of history were running in the cause of liberty."

GEC wins order for power station

By Maurice Samuelson

GENERAL ELECTRIC COMPANY, the UK-based international engineering and construction group, has won the order to equip the first of a new breed of coal-fired power stations due for completion after the electricity industry has been privatised.

Its GEC Turbines subsidiary was chosen yesterday by the Central Electricity Generating Board to design, supply and manufacture the two 900MW turbines for the proposed Fawley B station on Southampton Water, Hampshire.

The competitor was the Tyne-side-based NEI-Parsons, part of Northern Engineering Industries which, unlike GEC, also manufactures power station boilers.

NEI said it was "bitterly disappointed" but had high hopes of winning the boiler contract at Fawley and the turbine and boiler contracts for the next two British coal fired stations, at West Burton, Nottinghamshire, and Kingsnorth, Kent, for which the CEGB has invited tenders by July 22. These stations are each expected to cost £1.2bn to £1.5bn. The generators constitute the biggest items of equipment after the boilers.

The design stage of the Fawley contract will last 18 months and, if the power station wins planning consent, it will be two and a half years before the orders reach GEC's factories.

The CEGB announcement follows 10 years in which no new fossil-fired power stations have been ordered. GEC Turbines won its last non-nuclear order from the CEGB in 1974. That was for Littlebrook, on the Thames. NEI's last CEGB order for a coal-fired power station was for Drax B, North Yorkshire, 10 years ago.

Fawley is the first of a generation of coal-fired power stations. Until now, the biggest turbines used by the CEGB for fossil fuel stations have had a capacity of 660MW. By switching to 900MW, the CEGB hopes to cut the cost of construction and of electricity production.

The Fawley station faces strong local objections and will be subject to a planning inquiry. The CEGB argues that the new coal and nuclear power stations are essential to meet a forecast shortage of electricity in the mid-1990s, especially in southern England.

Mr Terry Harrison, NEI chairman, said of the company's failure to win the contract: "Too much significance should not be placed on one order and NEI-Parsons' competitiveness has already been proved by securing overseas orders."

The company also ruled out job losses as a result of the Fawley decision and said that it could keep its workforce busy for another two years on its present order book, including exports and repair and maintenance work.

However, the position would be "quite serious" if it did not win a share of the CEGB's coal-fired programme. NEI cannot go on indefinitely without winning home orders," Mr Graeme Anderson, NEI deputy chairman, said.

GEC Turbines' latest success confirms its position as the second biggest power station supplier in the non-Communist world after Mitsubishi of Japan.

The UK group claims export earnings per employee second only to those of Jaguar.

Continued from Page 1

British Gas

mal approach to the Acre Oil board on Tuesday, where the deal was presented more or less as a fait accompli.

Mr Jim Lindars, the Acre chairman who was plainly unhappy that the company would lose its independence, said the board was satisfied that shareholders had received the best possible price.

Mr Brierley said the assets had changed hands at the equivalent of roughly £2.70 per barrel. This compares with the £1.70 to £2.50 per barrel seen in other recent similar transactions. He cautioned, however, that these figures did not take into account development and other costs.

SHV said it might use the sale proceeds to increase gradually its 40.3 per cent stake in Calor, although it wished Calor to remain a listed company. It had no intention of considering any offer for its Calor shareholding.

A share alternative to the offer, consisting of 14 British Gas shares for each 11 Acre shares, was worth 221.4p per Acre share yesterday, with British Gas closing up 3p at 174p. The rest of the independent oil sector rose strongly after the announcement of the deal.

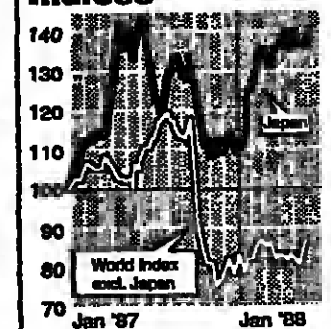
British Gas is advised by Schroders, and Acre Oil by Morgan Grenfell.

THE LEX COLUMN

A good turn for equities

FT Index rose 1.0 to 1444.4

FT-A World Indices



The foreign exchange pundits were still searching through the ruins of their carefully constructed bullish case for sterling yesterday to see whether there were any bits worth retrieving after Thursday's savage assault. The markets had already made up their mind that, for the time being, sterling should be removed from the list of strong currencies, and the 1 1/2 percentage point rise in short-term UK interest rates over the last week indicates that a half point rise in base rates is almost certainly not enough now that the hot money is flowing out of sterling.

While the scale of sterling's fall is unlikely to have pleased the orderly Treasury mandarins who still believe that they are in charge of the exchange rate, it has certainly eased the Government's immediate policy problems. True, base rates would have to rise by another percentage point at least before they have any impact on the consumer lending boom, but the decline in the pound is good news for British exporters. The corporate sector is so lowly geared these days that a strong exchange rate is far more important for profits than interest rates. When viewed against a reasonably solid performance by the bond market, it helps explain why the equity market ended the week less than two per cent off its year's high.

However, the other support for the UK equity market - Wall Street's recent strong showing - is less easy to explain. Yesterday's surge in precious metals prices is only the latest in a number of inflationary signals, and when combined with the surprising resilience of the US economy, underlines the need for higher interest rates. The US bond market, which had been fearful of an early rise in the discount rate, has chosen to ignore these messages for the moment. Once its mood changes, Wall Street's recent performance is likely to go down as just another bear market rally.

Confident that the Office of Fair Trading will spoil UniChem's fun by ruling against its cheeky share incentive scheme before next month is out, Macarthy may have revenge in sight if, as seems likely, the regulatory authorities stop or even unwind the scheme, reversing the huge market share gains which UniChem has made as a result. Macarthy should be able to buy its rival at a substantial discount to the 500m it offered yesterday. The only losers would be the shareholder/members of the UniChem co-operative, who may well wish their board had been slightly longer on foresight and shorter on greed.

British Gas

If cautious old British Gas is prepared to pay up to 50 per cent more than asset value for a mid-sized oil independent, then maybe the extraordinarily high value placed on the sector is justified, after all. While the market evidently thought as much yesterday, it should think again before attaching comparable prices to the likes of Enterprise Oil and Lasmco.

After the political tangles involved in British Gas's first two attempts to acquire growth, the company must have been keen to proceed more quietly this time. Buying any of the other independents would have involved an ugly contested bid, while acquiring Acre was as simple as stitching up a deal with the majority shareholder, which had already advertised its willingness to talk. Moreover, the relative scarcity of gas in Acre's assets meant that the takeover seemed unlikely to interest the Office of Fair Trading.

There always seemed a good chance that the UniChem board's bright ideas would eventually leave shareholders in the worst of all possible worlds, and yesterday's events brought that one step nearer. Macarthy's new improved offer for UniChem, disclosed only yesterday morning, was withdrawn with such unseemly haste that it was difficult to resist the conclusion that there was a darker Macarthy's plot afoot.

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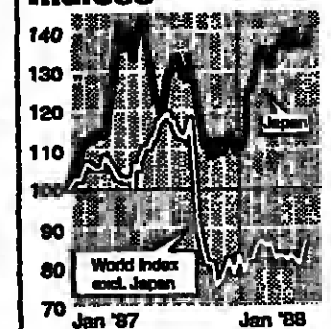
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FT Index rose 1.0 to 1444.4

FT-A World Indices



As British Gas is already suffering under one inquiry, it must be particularly anxious to avoid another.

Despite Acre's peculiar charms and its wide spread of superior oil assets, the price still seems high, unless, of course, British Gas knows more about Acre's assets than everyone else does. More likely, it reasoned that, if it was ever to fulfil its desire to get back into the North Sea, it had better hurry up. In any case, British Gas can afford to pay above the odds, as it is big enough to be able to do deals that dilute earnings without anyone noticing. The 3p rise in its shares yesterday showed the market inclined to be tolerant, perhaps on the grounds that if the company is intent on spending its cash flow rather than return it to shareholders, the money is better spent on North Sea assets - about which it knows a great deal - than on New Zealand gas, for example.

Racal/Vodafone

Nobody would disagree that Vodafone is a cracking good business - the reason, paradoxically, that Racal felt it had to get rid of it - and, by the end of the summer, the City will have to decide just how good. This week, the range of informed guesses as to Vodafone's value was expanded substantially with Warburg Securities and Fleming both taking a stab at the answer: the former came up with a figure of around £2.5bn; the latter reckoned Vodafone was worth half that.

Warburg's assertion that the US discounted cash flow method is a better way of guessing at long-term value than the familiar old short-sighted p/e measure might have a few more followers if it did not lead to quite such a big number in the end - and if it did not require a 20 year extrapolation of cash flow from a very limited historical base. Anything could happen in two decades: more competition; new technology; who knows, even less astronomical call charges. When it comes to persuading the institutions, an implied p/e in the region of 40 is likely to speak louder than Vodafone's intricate reasoning - especially since most of them are already annoyed at being asked to stump up cash for something they thought they owned. The market may be wrong - its appalling record at valuing bid stocks recently suggests that it probably is - but for the moment, it is discounting a price nearer to Fleming's £1.2bn.

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CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES	RISES	Leigh Interests	FALLS
Abbey Life	296 + 3	Lomb	243 + 14
Amari	250 + 57	Metal Cures	252 + 13
Assoc. News	479 + 13	Morgan Grenfell	291 + 12
BAT Inds.	436 + 7	Scott & Newcastle	319 + 7
Brudport-Gundry	256 + 15	Sedgwick	234 + 6
Brit. & Comm.	258 + 13	WPP	555 + 15
Dwyer	200 + 10	Woolworth	303 + 9
Health (G.E.)	510 + 5		
ICI	421 + 11	Allied-Lyons	229 - 7
Inchcape	821 + 15	Bass	789 - 9
Invergordon	273 + 17	Glynwed	437 - 22
Legal & General	283 + 15	Stanhope Props.	311 - 10

WEEKEND FT

Weekend June 4/June 5 1988

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

THE GREAT Wall Street Crash of 1929 caused hardship to millions. But it also sparked a handful of entrepreneurs into new ventures which not only rescued their finances but changed the society in which they lived. Among his ardent band of modern followers, few realise that one such was Etienne Bugatti, the legendary sports and racing car designer. Had the post-crash slump not devastated his order book, he would never have been forced into a business that revolutionised rail travel in 1930s France and foreshadowed today's "Trains a Grand Vitesse".

Nor is it realised generally that, without Bugatti, Britain might never have seen its most stylish high-speed steam railway locomotives, the A4 class of streamliners. Their sleek lines have featured in many a public exhibition of 1930s art, and their few preserved examples have become cult objects on a par with Bugatti's famous blue cars. One of these engines, the Mallard, still holds the world steam speed record of 126mph which it broke 50 years ago this summer a few miles south of the Lincolnshire market town of Grantham, where Margaret Thatcher was still a schoolgirl. The anniversary of this feat will be celebrated on the very day, July 3, by a commemorative run.

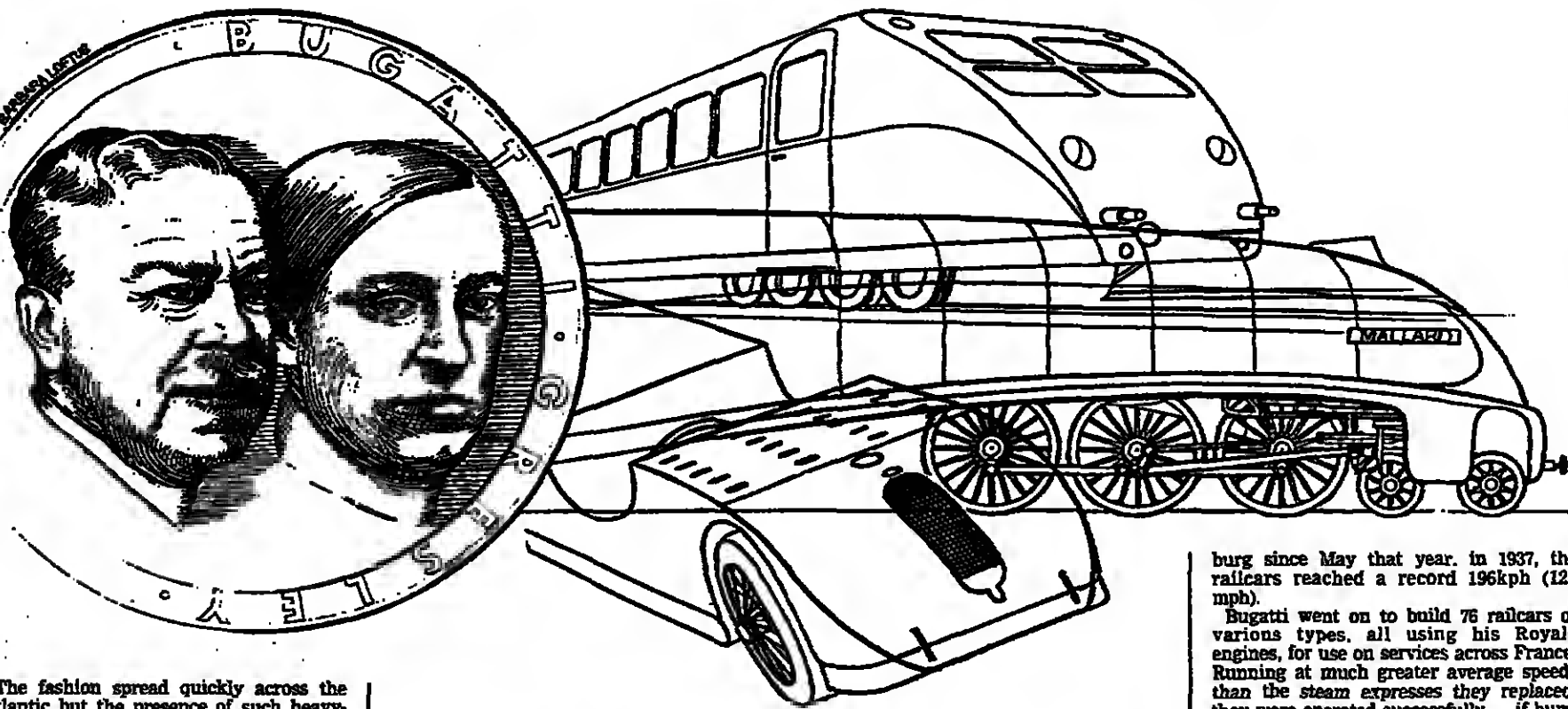
The story of Bugatti's revival from his troubles and his subsequent influence over the Mallard's designer, Sir Nigel Gresley, has never been told properly. Car and railway enthusiasts on both sides of the Channel are such separate breeds, and mostly so insular, that the Bugatti-Gresley connection receives scant mention in most of the plethora of history books.

Certainly, the two men were very different. Bugatti, the largely self-trained son of Italian furniture designer Carlo Bugatti, had a florid personality and sartorial tastes to match: he often sported a bowler hat to work at his car factory in Alsace, north-east France, and also had a penchant for wearing riding breeches and yellow sweaters when out on business. The redoubtable Gresley, a formally-trained engineer whose father was an English clergyman (churchmen and railways have always had a peculiar affinity in Britain), was a gruff pedant with a bushy moustache and a taste for restrained suits. As chief mechanical engineer of the London and North-Eastern Railway Company (LNER), he epitomised aloof Englishness.

Yet, Bugatti and Gresley had plenty in common. From their very different positions as owner and senior employee, they were both strong patrons of their respective establishments. They shared not only a strongly inventive streak and an interest in new ideas from abroad, but also an unusual eye for aesthetics. The latter was just as well, for they were working in a world about to wake up to the commercial attractions of "aerodynamic art" - what we know today as industrial design.

The "great economic slump" of the early 1930s gave an enormous boost to the budding design profession as American, and then European, industry began to understand the way that a smoothly-styled exterior could give a much-needed lift to the sales of a mundane product. As the fashion for the speed-associated images of "streamlining" caught on like wildfire from 1933, American industry began to employ art-trained "industrial designers" such as Raymond Loewy and Henry Dreyfuss to apply the style to cars, trains, ocean liners and anything else that moved. Even static objects were not immune: food tins, vacuum cleaners and cigarette lighters all sprouted "aerodynamic" shapes with horizontal "stream lines" on their sides.

Bugatti's railway revolution



The fashion spread quickly across the Atlantic but the presence of such heavy-weight design polymaths as Bugatti and Gresley spared Europe from its excesses: they were wide open to the commercial attractions of better public relations but they rooted their streamlining in functional considerations, not just in form.

To Bugatti, the key thing about streamlined racing cars was not just that they looked good but that the reduced air resistance made them go faster. Working partly by eye, partly by trial and error, he was experimenting constantly with aerodynamics to squeeze yet more speed out of his cars. Gresley's main interest in streamlining was similar: to get his trains from London to the north faster than competing railway companies while lifting smoke and steam away from the drivers' line of vision, a problem which plagued every designer of express steam locomotives. But his approach was more scientific than Bugatti's, and he made extensive use of wind tunnels.

The story of the Bugatti-Gresley connection dates back almost exactly 65 years to June 3, 1923, when Bugatti had a spectacular and embarrassing disaster in the Tours Grand Prix. The four newly-streamlined cars he ran that day proved so unstable that only one finished the race. Dubbed the Tours Tanks, they were shaped as almost-perfect aeroflows. The results should have been predictable. In the understated words of Hugh Conway, one of today's leading European authorities on Bugatti, "the vertical lift generated by the aeroflow in the relatively short vehicle adversely affected the handling at speed."

Bugatti learned quickly from the debacle, opting instead for more of a cigar shape in designing what became one of his masterpieces, the Type 35 racing car. But the Tours Tank idea was not entirely dead, as events showed a decade later. By then, Bugatti was facing financial disaster. In

1928 he had launched his "car of kings," the monster Royale - a 194, three-ton, ultra-luxury grand tourer costing much more than a Rolls-Royce. But the Wall Street crash hit demand so hard that by 1932 he had sold only three of them - none to a king. Eventually, just three more were built (one of which was auctioned in London's Albert Hall last autumn for the very real sum of £55m).

Bugatti had banked so heavily on the vehicle that his 1,200-person factory in the small town of Molsheim was left with a desperate shortage of work. Finances were strained still further by his having laid down, at great cost, 25 of the giant 200-

horsepower engines he had designed specially for the Royale. Although Bugatti was forced to cut his staff by almost half between 1932 and 1934, his enterprise was saved from a painful end by the intervention of fate.

France's railways, then still divided into separate companies, had suffered badly from the combined effects of the slump and the growth of competition from cars plus, on longer journeys, aircraft. The result, starting in 1932, was a rush programme to develop high-speed rail transport. Long-standing safety limits on the speed of steam trains shifted most of the attention to petrol and diesel railcars.

By late that year, like Renault, Michelin and other manufacturers in the hard-hit motor industry, Bugatti had landed a lucrative contract. Laid low with "flu" for much of the following winter, he is said to have worked long hours in his bedroom on detailed sketches for every aspect of his railcar design, huddled for warmth sometimes in his dressing gown, sometimes in his bathrobe. To the outside, the vehicle's most obvious characteristic was its curved, wedge-shaped front and rear, based on the Tours Tank but with the vital difference that the railcar was long and heavy enough to avoid the racing car's instability. To Bugatti, though, the high-performance motors inside were just

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burg since May that year. In 1937, the railcars reached a record 196kph (122 mph).

Bugatti went on to build 76 railcars of various types, all using his Royale engines, for use on services across France. Running at much greater average speeds than the steam expresses they replaced, they were operated successfully - if humbly - by several railway companies until the war. Their voracious fuel consumption of less than a kilometre per litre meant that their life was cut short in the austere years of the late-1940s and early Fifties. However, their sleek aerodynamics had helped to spawn a far more efficient type of high-speed rail locomotion across the Channel: Gresley's A4 steam engines.

By the early 1930s, the same competition from cars and aircraft that had sparked the development of Bugatti's railcars was hitting railway companies all over the world; in the United States, the growth of long-distance bus travel was an added challenge. The reaction was universal: accelerate existing schedules to attract the public back onto the rails. In almost every case, this meant ordering entirely new locomotives and coaches and streamlining them - either for publicity purposes, as in the US, or for a more balanced mixture of promotional and functional reasons, as in Belgium, France, Germany, the Netherlands and (eventually) Britain.

Gresley (he was knighted in 1936) had been experimenting with various forms of partial streamlining since 1923, partly for reasons of speed but initially to overcome the constant problem of smoke and steam obscuring drivers' vision. His experiments threw him quickly into a fierce debate that was developing among his international peers about the precise function of streamlining and its ideal form.

On one side were ranked the supporters of a horizontal wedge on the Bugatti principle, which lifted the air over the top of the vehicle. On the other, with a pedigree going back to experiments in the 1890s, were US, German and other advocates of a vertical type of wedge which pushed much of the air along each side of the engine. Compared with the drooping Bugatti shape, this gave their locomotives a more

bull-nosed, thrusting appearance, something that certainly appealed to the macho self-image of America's new industrial designers.

Gresley took time to become convinced. But his own experiments pointed towards the Bugatti principle, and he warmed further towards it after travelling on both the Flying Hamburger and a Bugatti railcar - in the colourful company of its famous designer. He was impressed particularly by the wedge's aerodynamic effect as he watched the flow of air hit the track 50 yards behind the speeding railcar. After further wind tunnel tests in England, Gresley concluded that a horizontal wedge definitely was preferable, not only for smoke-lifting but also because it cut air resistance to the locomotive itself and avoided disturbance to passing trains. So, when Gresley's employers took the high-speed plunge in March 1935 and ordered a streamlined train to run between London and Newcastle in the north-east of England, a Bugatti-type shape for the locomotive was guaranteed, albeit with many of Gresley's own functional improvements.

The result, after a hectic five months' work at the LNER's Doncaster factory - a fast development programme worthy of Japanese industry today - was the first of the 35 A4s; it was completed less than a month before the start of the new Silver Jubilee service. Despite the pressures of the programme, Gresley found time to visit Bugatti in Paris that June.

Bugatti and Gresley attracted some criticism in the US, where a self-interested Loewy described the former's railcars as having "unsophisticated streamlining" and a "poor airfoil." In a fascinating 1937 book which has just been republished, he was only slightly more polite about the A4s, which he called "rather efficiently streamlined but somewhat lacking in grace."

Whatever Loewy's view, the public loved the A4s, flocking to see them and travel on the all-silver express they pulled. Two years later, a similar train, the Coronation, was built to race the rival LMS to Scotland. This time, locomotives and coaches both were decked out in blue and the train had a rear observation car shaped even more like the Bugatti railcar than the engine itself.

By 1938, the LNER and LMS were wrapped in a battle not only for the fastest journey time to Scotland but for the national short-distance speed record. That July, the Mallard finally put the issue beyond doubt. In the process it beat by a short head the world steam speed record set by the German Reichsbahn two years before. There was little time for a reciprocal challenge before Anglo-German relations degenerated into a far more deadly sort of rivalry.

After the war, Gresley's creation fared far better than Bugatti's. While the railcars were discarded to rot in weed-covered French sidings - only one has been preserved - the Mallard and its sister engines continued to operate right up until the withdrawal of steam from British Rail in the mid-1960s. Four A4s are preserved in Britain, including one named Sir Nigel Gresley, and will be on view at the July 3 celebrations in York; several others are in museums around the world.

Gresley's glory lives on for the public to admire, often in ponding motion on a weekend excursion. But Bugatti's lies immobile in an Alsatian museum, forgotten by all but the most hardy enthusiasts. It is a sad end for one of this artist-engineer's most influential creations.

"Bugatti, by Hugh Conway, Haynes Publishing, £24.95.
"Locomotives by Raymond Loewy, Trefort Publications, £16.95.

Christopher Lorenz explains how the legendary car designer turned to trains and put Britain on the right track

horsepower engines he had designed specially for the Royale. Although Bugatti was forced to cut his staff by almost half between 1932 and 1934, his enterprise was saved from a painful end by the intervention of fate.

France's railways, then still divided into separate companies, had suffered badly from the combined effects of the slump and the growth of competition from cars plus, on longer journeys, aircraft. The result, starting in 1932, was a rush programme to develop high-speed rail transport. Long-standing safety limits on the speed of steam trains shifted most of the attention to petrol and diesel railcars.

By late that year, like Renault, Michelin and other manufacturers in the hard-hit motor industry, Bugatti had landed a lucrative contract. Laid low with "flu" for much of the following winter, he is said to have worked long hours in his bedroom on detailed sketches for every aspect of his railcar design, huddled for warmth sometimes in his dressing gown, sometimes in his bathrobe. To the outside, the vehicle's most obvious characteristic was its curved, wedge-shaped front and rear, based on the Tours Tank but with the vital difference that the railcar was long and heavy enough to avoid the racing car's instability. To Bugatti, though, the high-performance motors inside were just

as vital: he used the very petrol engines, laid four in line, that he had designed and built for the Royale.

So urgent was Bugatti's situation that the Molsheim factory built the prototype by the following spring, even before there had been time to lay a siding to the local station. Half the small town turned out to see the oddly-shaped vehicle being manoeuvred laboriously along the road instead. By the summer of 1933, Bugatti railcars were in full service between Paris and Beauville, having reached 180 kph (113 mph) during their trials. This was faster than the equivalent train in Germany, the diesel-powered Flying Hamburger which had been plying between Berlin and Ham-

The Long View

It could be slowdown or showdown

NOW YOU see it, now you don't. Last week the bear market hung over Wall Street like a malevolent cloud, poisoning sentiment and depressing the volume of broking business to starvation levels. This week the bears suddenly and inexplicably vanished and the Dow Jones Industrial Average put a more than 100 points in two days.

But sudden changes of mood are characteristic of modern stock markets. The markets are driven by high-rolling traders, who cannot sit at screens day after day without, eventually, doing something to attempt to justify their handsome pay packets. On the other side, institutional investors nervously accumulate billions in liquidity, and agonise over whether their exposure is too high or too low. Occasionally their nerves crack, if only temporarily.

All the same, the occasional surge or break cannot disguise the underlying characteristics of a bear market. Moreover, the UK market cannot shake off the influence of Wall Street, which led the world into last October's crash and still dominates most stock markets outside Japan. What lies behind the perversity of bear markets? There is the tendency to view all economic news negatively, as two weeks ago when Wall Street fell on the announcement of better than expected trade figures. There is the low volume and general lack of confidence, not least among private investors. And there is the incredulity and disgust of industrialists, who proclaim ever-improving results only for investors to turn a blind eye. It just goes to confirm their impression that the markets are crazy.

On the face of it, recent economic news has been astonishingly good. The recession that loomed last year, and was thought by many to have been anticipated by the crash, has conspicuously failed to appear. The US GNP is now estimated to have

Bear markets tend to react negatively to what might seem to be good news. Barry Riley suggests reasons why the unexpected economic boom is not likely to be viewed enthusiastically by the markets.



risen by nearly 4 per cent in the first quarter. Elsewhere the UK is booming, and even Germany is now expecting growth this year to top its earlier 2 per cent upper range forecast.

Most economists keep forecasting a slowdown in economic growth internationally, but the deceleration seems to be reluctant to appear. The OECD, for

instance, has had to edge up its US growth forecast from 2% to 2% per cent for 1988. And here lies the nub of the problem. The more moderate that economic growth is projected to be, the more easily can economists reconcile in their models the severe mismatches in world trade and payments balances. So is there an element of wishful thinking in

their projections of gentle deceleration and soft landings?

This is certainly the message of the bear market. Out goes recession as a menace, and in comes overheating. Interest rates, which were artificially reduced in the aftermath of the crash, have been rising in the US, first at the long end, and now even for Federal Funds, election year or no. In the UK the Bank of England is triggered happy over interest rates, and will put them up just as quickly as the exchange rate allows: Thursday's move was proof enough of that.

Inflation fears are beginning to become prominent again, certainly in the UK, where labour market rigidities are threatening a surge in the level of pay settlements. The Americans do not appear to be afflicted by that problem, but have to grapple with rising import prices instead. The trends are usually more clearly indicated in the bond market than in equity price trends. Equities are always pulled two ways in a bear market: rising interest rates drag them down, but strong growth in corporate profits and dividends lures them upwards. Eventually the negative forces win, but the process can be erratic.

This was clearly seen last year, when equities completely ignored the warning signs in bonds. The two markets drifted apart to a quite remarkable degree, and the re-engagement, when it came, was catastrophic in style.

After the crash a flood of money was released to bring down interest rates and lubricate the world economy. It worked, but possibly too well. Economic growth has been resumed at an unsustainable rate, huge central bank intervention is necessary to finance the scarcely declining US balance of payments deficit, and rapid monetary growth is a problem in most of the major economies, posing a general threat of inflation. To add to the disquiet, Reuters' commodity price index

has risen by 6 per cent in a month.

This looks strangely like 1987 all over again and bond markets, not surprisingly, are going through something of a rerun of last year's traumas. And while the typical international bond holder's passion for recession and gloom is distinctly unattractive, there has to be a recognition that present policies cannot be sustained for too long, although they just might hold the wobbling structure together until after the US presidential election in November.

Last autumn's monetary stimulation put off the evil day, but it did not solve the underlying problems. So the recession, when it eventually comes, could be the worse for the delay. At least the stock market has already gone through a substantial part of its necessary correction; but unfortunately the same cannot be said for the world economy in general and the US economy in particular.

It is the waiting that hurts. If the markets could see a recession around the corner they would jump for joy. The optimistic view is that the stock market will be able to bob along near current levels until an economic slowdown is evident, at which point bond yields will decline and equities will follow that positive lead.

The delicate question then would be whether a gentle recession would be enough to transform America's balance of payments without severely straining its ailing and over-leveraged corporate sector. Let's hope so. But there is a much more dangerous alternative scenario. Suppose the growth of the US economy continues to roar away at 4 per cent for the rest of the year. Then the improvement in the trade returns would stop, credit demand would surge, and interest rates would spiral upwards. That could give the bear market a nasty second leg. Don't put your crash helmets away yet.

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MARKETS

Treasury's speed surprises the City

A DAY is a very long time in the foreign exchange markets, as has been underlined this week by the extraordinarily rapid about-turn in the fortunes of sterling.

At the start of the week the pound was still riding high against the D-mark, to the extent that there were murmurs in the market that the Government might have to cut interest rates yet again to stem the currency's advance.

On Wednesday, though, market sentiment changed with startling abruptness and sterling plunged. There were many analysts as there were theories as to just what caused the slide. Some suggested it was a delayed reaction to the previous week's trade figures, others that there had been a more positive re-appraisal of West Germany's economic prospects, or that the dollar had reached a turning point after its long decline.

Whatever the cause, the drop played into the hands of the Treasury. It has made no secret of the fact that, in its fight against inflation, it would prefer to see higher base rates and a lower exchange rate; and on Thursday it moved with a speed that surprised the City to trigger a half-point rise in bank base rates, taking them to 9 per cent.

Yet, that had only a limited impact on sterling, which by Thursday night's close had slipped further to around DM3.1050, compared with DM3.1875 the previous weekend.

And if the pound weakens further, another rise in interest rates must be on the cards.

The impact of all this on the equity market has been mixed. Rising interest rates could be expected to exert some negative pull but, against that, the lower pound was a spur to the market, particularly coming in the wake of a Confederation of British Industries' report on Tuesday which highlighted the damage to export growth of sterling's recent strength.

London

The biggest spur to equities this week came from across the Atlantic in the form of Wall Street's strong advance on Tuesday when the Dow Jones Industrial Average recorded its greatest one-day gain since January 4.

The following day, London celebrated Derby Day with a 21.3-point rise in the FT-SE 100 index, pushing it above 1,800 for the first time since May 6.

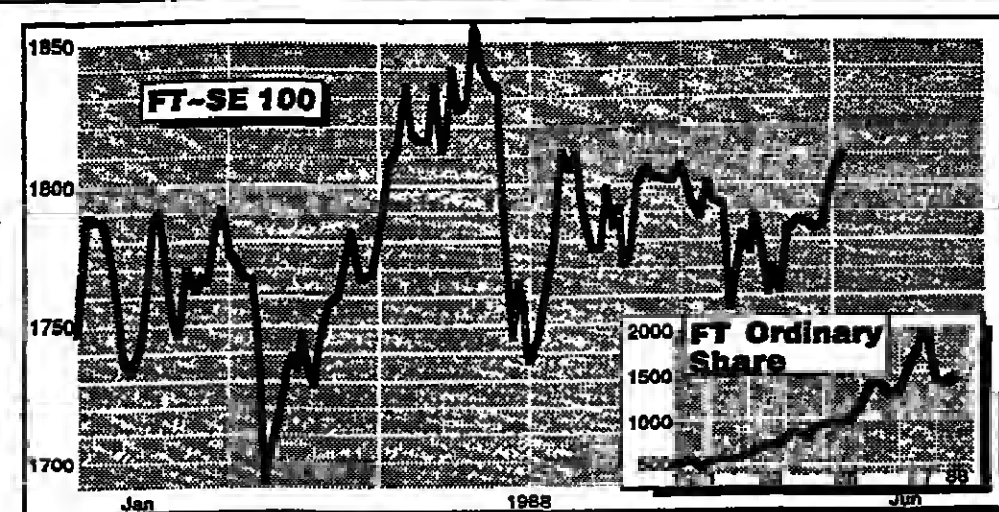
On a slightly longer-term view, though, equities have been going nowhere for weeks now. Volume is low and, since the start of the year, Footsie has been stuck in a 150-point trading range between 1,700 and 1,850. It is hard to see much on the domestic horizon likely to change that. Fall-out from Wall Street, however, could be a very different matter, either in an upward or downward direction.

Against this background, the main excitement in the London equity market this week has come once again from fresh take-over bids, although two companies reporting results - Storehouse and FKI Babcock - underlined starkly the very different fortunes that can overtake grandiose mergers after the knot is tied.

FKI Babcock, the electrical and engineering group, was formed last summer when FKI Electricals, headed by Tony Garland, bought the much-larger Babcock International in a marriage blessed by that company's chairman, the redoubtable Lord King. This week brought the first real opportunity to judge how well the couple have been settling down.

The initial results certainly are impressive. Pre-tax profits for the year were £48.5m, up from £11.3m the previous year and ahead of brokers' expectations. Since the acquisition, the group has cut work force by some 4,000, to 30,000; closed 25 manufacturing sites; brought head office staff under one roof; and cleared the balance sheet of the high level of debt sustained as a result of the takeover.

Garland says he is committed to 25 per cent a year growth in earnings, coming from a combination of organic growth and acquisitions. But the shares remain on a lowly multiple of just 7.5 times earnings, reflecting concern in the market that FKI



could depend for growth mainly on takeovers. And such animals are decidedly unfashionable in the wake of October's crash.

Storehouse was formed two years ago through a marriage of Habitat-Mothercare, headed by Sir Terence Conran, and the much-larger British Home Stores chain. Sir Terence, the theory went, would inject a new and much-needed retailing flair into BHS.

BHS stores certainly are a lot more attractive to shop in these days, but the overall performance of the group since the merger has ranged from dull to downright dismal - hence the failed takeover bid launched for the group last autumn. This week, the group unveiled annual profits before tax and property surpluses of £113.1m, down from £118.1m the previous year and at the lower end of City expectations.

The main drag on profits was its Mothercare chain, which was hit by a bungled move to a new national distribution system, while the performance of the rest of the group was pedestrian. The

group now has a new chief executive, Michael Julien, and the hope must be that he will inject a greater professionalism into a management which has been long on fancy design concepts but rather short on simple retailing efficiency.

As far as the London investing community is concerned, a large question mark - although of a very different nature - also hangs over Beazer, the building group which this week won its long and extremely acrimonious takeover battle for Koppers, the US aggregates and chemical business. Beazer won the backing of Koppers' management after slugging it out through the courts and increasing its offer slightly.

It might be a famous victory but where does Beazer go from here? The company, which has grown from virtually nothing five years ago with a series of aggressive takeovers, will more than double in size as a result of the deal. But it will also take on a very heavy debt burden incurred in making the bid.

The disposal of Koppers' chem-

ical operations will reduce gearing. But Beazer still has to show it can get a decent price for the business, while the rising trend of international interest rates and fears of a US recession are reason enough for the City to be cautious about the stock.

In the battle for Rowntree, it has been a week of waiting for Nestlé to make the next move. The Swiss company seems certain any day now to raise its original £2.1bn offer above the rival bid on the table from Jacobs Suchard.

The options facing the beleaguered Rowntree board are very limited, as was underlined this week in a remarkable intervention by shop stewards representing about half the company's employees. They urged the board to start negotiations with the Swiss companies with a view to a friendly takeover that might protect jobs. But Rowntree also has a duty to its shareholders, and the harder the board fights, the higher the price likely to be exacted from the Swiss.

Martin Dickson

Come fry with me...

MARTIN CRADDOCK is coming to market this month. A man who knows a good recipe when he sees it, Craddock is bringing Lincat, his company manufacturing griddles and fryers and vegetable peelers, to the USM at the latter end of June. And, just to put the record straight, he is no relation to Fanny, who in any event is one "A".

Lincat makes a wide range of commercial catering equipment; not the super-heavy duty variety used by the fast food kings but products for the growing number of pubs and clubs offering meals, both light and otherwise, on the back of the eating-out boom.

Martin Craddock came to the company as purchasing manager 10 years ago, when he was 28, after six years with Black & Decker. His initial introduction to Lincat was carrying out an analysis of the company at the suggestion of his father, John, himself with Lincat for a few years at that stage.

He says: "The company was just about solvent. There were no controls whatsoever, no production controls, no finance or invoice controls, no records of costs. But I fell in love with it because there was so much potential."

The result was that the Craddocks, father and son, bought a majority shareholding for £7,000 and set about turning it round.

It didn't take long to get the company properly organised, about a year or so, says Martin, now chairman and chief executive. His father is president but, at 65, has pretty much left the day-to-day side of it.

While the business was lacklustre, it became clear very quickly that the potential was there for big margin improvements. Half the income from sales was spent on raw materials.

Junior Markets

The core Lincat business sells 114 products including ovens and water boilers, fryers, griddles and grills, bain-marie and heated food displays, Corair designs and makes mobile hot drink dispensing machines, heated trolleys, and carry units produced to customers' specific requirements.

LanElec/Avamore makes meat-slicing, food-cutting and bread-buttering machines plus vegetable peelers. Abbey - the rather odd one out "but it was a good acquisition" - makes clocks and, more recently, wooden trolleys for commercial catering.

Lincat has about an 8 per cent share of the UK catering equipment market, worth about £150m a year. Capitalised at £5m, it employs 180 people. The group

has grown from pre-tax profits of £211,000 in 1984 to £940,000 last year, on turnover up from £1.89m to £4.79m, and expects to make not less than £950,000 pre-tax this year.

The business has expanded strongly since 1979, both organically and through acquisition and now operates through four subsidiaries - Lincat, Corsair, LanElec/Avamore and Abbey.

The placing aims to raise between £700,000 and £1m for the company, which will clear borrowings and fund expansion.

Bucknall Austin, the Birmingham-based quantity surveyor coming to the USM in mid-July, also has a father and son team in its history. Charles Bucknall founded a quantity surveying practice in 1947 and was joined in partnership by son David, then aged 23, in 1963.

The practice grew rapidly in size and geographically ("We had 11 partners by the 1980s, deciding everything jointly, even the colour of the walls," says David) until, in 1984, a corporate management structure was introduced. David, now chairman, was managing director until two years ago.

The services provided by the business fall into two main categories, quantity surveying and project management. For the former, Bucknall quickly developed a method - cost planning - of analysing historic cost data, together with inflation indices that enabled it to provide far more information on cost control than was available normally. This has been the key to the growth of the practice.

Major contracts in which Bucknall is involved at present include the Birmingham Bull Ring redevelopment, a 140m office development over Liverpool Street underground station in London, and the International Convention Centre, also in Birmingham.

Capitalised at between £5m and £8m, Bucknall is looking to raise about £2m in the placing, of which 80 per cent will be for the company. "We have the talent and we want to build on that strength," says David Bucknall. He aims to invest in computerised products division, manufacturing diagnostic pharmaceuticals, is thought to be improving.

The Government now has the option of selling its golden share, but most analysts think Amer-sham would be well defended against a bid. Banman, chairman of the BEECHEM GROUP, says he expects a 17 per cent rise in pre-tax profits to about £40m when results for the year to March 31 are announced on Thursday.

However, the advance will be down almost entirely to a turnaround of about £40m in the group's interest charge - to give a positive figure of about £5m - from continuing sales of its consumer goods businesses. This has pushed Bechem's gearing down to zero - a position, it is hoped, that Banman will do something about.

The dollar effect will mean pedestrian trading profits

HIGHLIGHTS OF THE WEEK

	Price	Change	1988	1988	
	1 day	on week	High	Low	
FT Ord. Index	1444.4	+14.4	1478.7	1349.0	Wall St. and currency influences.
Acas & Hutchinson	427	-38	508	427	Recent poor interim figs.
Aere Oil	217	+32	217	180	Agreed bid from British Gas.
Century Oils	167	-18	195	163	Pre-tax profits down 18%.
Enterprise Oil	432	+36	432	257	N. Sea oil find/takeover speculation.
Freemake Foods	168 1/2	+34 1/2	150	90	Agreed bid from Campbell Soup.
ICI	510 1/2	+ 1/2	511 1/2	947	Fall in sterling.
Isacape	821	+45	821	620	Buyer's sector outlook.
Irish Distillers	316	+94	316	126	Consortium bid.
Learhoe	252	+24	252	163	Buyer's sector outlook.
Midland Bank	420	+20	425	370	Base rate hike/re-rating.
Roechem	786	+46	786	513	Wine Kings Cross redevelopment.
Randcliff (W.)	328	+37	330	208	Telcel take 25% stake.
Standard Chartered	482	+24	553	407	Westpac takeover speculation.
Stanley (A.G.)	305	+18	307	166	Increased bid from Ward White.

The project management side was set up formally in 1986 as a separate subsidiary, Bucknall Austin Project Management (BAPM), in response to increasing client demand. For years Bucknall had seen the need for, and provided clients with, a separate management function with shared responsibility for establishing the time, cost and quality targets of any project.

Bucknall has nine offices throughout the country and more than 250 active clients including financial institutions, the big retailers, major property developers, the construction industry and the public sector.

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growth. However, changes in the pharmaceuticals product mix has meant the underlying growth is about 12 per cent and accelerating, with the most excitement coming from the co-marketing agreement with Upjohn to sell the heart drug Enimase in the US.

On Tuesday on Thursday are BOOTS' results for the year to the end of March. A warning from the company a few months ago meant that analysts marked down sharply their forecasts for the pre-tax figure to take account of miserable Christmas sales.

The industrial side, which accounts for between 40 and 50 per cent of profits, will have had a difficult time, too, with its anti-inflation product coming under heavy competition in the US.

Stripping out £12m for the effects of a 15-month contribution from overseas subsidiaries (where the year-end basis has been changed), and a £10m contribution from property, pre-tax profits should show a mere 6 per cent advance to about £235m.

Hard on the heels of news of the proposed disposal of its paper and packaging operations, REED INTERNATIONAL is announcing the results of its year to March 31 on Wednesday. A strong performance right across the board is expected to result in a boost in pre-tax profits from £188.2m to at least £235m.

Currency fluctuations will have held back profits by about £10m and analysts will be anxious to hear more details about the sale of Reed Manufacturing Group and the North America Paper Group. In particular, Peter Davis, the chief executive, will be questioned about the plans for the cash (an estimated £500m) generated by the disposals.

METAL BOX, the engineering and packaging group that has been the subject of takeover gossip, is expected to reveal pre-tax profits between £31m and £34m when it reports on Tuesday. The results, which compare with profits of £22.2m for the year to March 31, 1987, will reflect a poor performance from food packaging, which has been held back by poor weather and price competition.

COLOROLL, the aggressive home furnishings concern which has been embroiled in a takeover battle for the John Crowther textile group, is expected to announce a leap in pre-tax profits from £10m to £25m for the year to April when its results are unveiled on Wednesday.

Telecom calls a £2.3bn tune

PRIVATEISATION stocks including BRITISH TELECOM and AMERSHAM INTERNATIONAL, as well as pharmaceutical groups, figure strongly in the results of British companies due next week.

Telecom announces its full-year figures on Thursday. Iain Vallance, the chief executive, looks like unveiling pre-tax profits of about £2.3bn for the 12 months to March 31, up 11 per cent on the previous year's £2,070m.

Strong growth in traffic volume - particularly from business and international users - should have boosted turnover. However, this could be offset partially by the cost of increasing staff numbers and concentration on quality control.

The City is not expecting any surprises and will probably be more interested in the result of the BT/Ofel negotiations, due at the end of this month.

Currency fluctuations is expected to have hindered Amer-sham International's profits growth in the year to March 31. On Monday, the health-care and medical research product group should announce pre-tax profits up some 8.5 per cent to about £24m, against £22.1m in 1986-87.

Results Due

More than 80 per cent of the company's manufacturing is sterling-based, but its major competitors trade in the US dollar. The research products division looks like having been hit worst, although the up-and-coming medical products division, manufacturing diagnostic pharmaceuticals, is thought to be improving.

The Government now has the option of selling its golden share, but most analysts think Amer-sham would be well defended against a bid. Banman, chairman of the BEECHEM GROUP, says he expects a 17 per cent rise in pre-tax profits to about £40m when results for the year to March 31 are announced on Thursday.

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Hard on the heels of news of the proposed disposal of its paper and packaging operations, REED INTERNATIONAL is announcing the results of its year to March 31 on Wednesday. A strong performance right across the board is expected to result in a boost in pre-tax profits from £188.2m to at least £235m.

Currency fluctuations will have held back profits by about £10m and analysts will be anxious to hear more details about the sale of Reed Manufacturing Group and the North America Paper Group. In particular, Peter Davis, the chief executive, will be questioned about the plans for the cash (an estimated £500m) generated by the disposals.

METAL BOX, the engineering and packaging group that has been the subject of takeover gossip, is expected to reveal pre-tax profits between £31m and £34m when it reports on Tuesday. The results, which compare with profits of £22.2m for the year to March 31, 1987, will reflect a poor performance from food packaging, which has been held back by poor weather and price competition.

COLOROLL, the aggressive home furnishings concern which has been embroiled in a takeover battle for the John Crowther textile group, is expected to announce a leap in pre-tax profits from £10m to £25m for the year to April when its results are unveiled on Wednesday.



Iain Vallance, of British Telecom

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COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company	Value of bid	Market price	Value of bid	Market price
Acas & Hutchinson	£427	508	£427	508
Aere Oil	£217	217	£180	180
Century Oils	£167	195	£163	163
Enterprise Oil	£432	432	£257	257
Freemake Foods	£168 1/2	150	£90	90
ICI	£510 1/2	511 1/2	£947	947
Isacape	£821	821	£620	620
Irish Distillers	£316	316	£126	126
Learhoe	£252	252	£163	163
Midland Bank	£420	425	£370	370
Roechem	£786	786	£513	513
Randcliff (W.)	£328	330	£208	208
Standard Chartered	£482	553	£407	407
Stanley (A.G.)	£305	307	£166	166

PRELIMINARY RESULTS

Company	Year	Pre-tax profit (£000)	Turnover per share (£)	Dividend per share (£)
Amalg Leasing	March 5,980	(4,450)	19.0 (14.8)	3.5 (-)
Century Oaks	March 5,200	(5,850)	11.6 (15.3)	6.0 (5.7)
Challenger & HHI	March 5,200	(580)	23.6 (11.5)	6.0 (4.0)
Challenger Corp	Dec 3,050	(2,630)	-	7.0 (6.4)
Control Sec	Mar* 8,310	(608 L)	5.1 (-)	0.4 (-)
Davenport Ltd	Dec 1,160	(1,340)	43.8 (49.1)	8.0 (8.0)
David & Charles	Jan 45	(430)	4.5 (2.5)	1.1 (1.0)
Dawson	March 6,400	(5,615)	31.1 (28.3)	13.2 (12.0)
Dominion Int'l	March 6,550	(8,560)	8.8 (12.3)	5.5 (5.5)
Edbro	March 2,900	(2,300)	24.0 (19.0)	9.0 (8.0)
El Oro Mining	Dec 1,450	(1,190)	22.0 (17.7)	7.5 (5.0)
Eiga Group	March 641 L	(1,040)	10.5 (7.9)	1.0 (-)
El Dorado Co	Dec 1,450	(1,650)	10.5 (8.2)	3.7 (2.5)
Fargalark Group	Feb 441	(4,550 L)	1.8 (-)	-
Ferguson Int	Dec 51,390	(9,492)	21.9 (18.2)	10.0 (9.0)
FKI Babcock	March 48,500	(11,300)	12.2 (7.4)	2.3 (1.3)
Haden Macdonald	Dec 1,370	(338)	6.6 (4.0)	2.5 (2.5)
Headland Ship	Jan 11	(11)	4.1 (3.3)	1.0 (0.5)
Jerry Merchant	March 16,130	(2,240)	-	7.5 (2.0)
McLeod Russell	March 7,210	(11,090)	-	-
Petroleum Group	Dec 745 L	(1,140 L)	-	-
Plym	March 6,510	(5,410)	9.9 (6.1)	2.3 (1.3)
Pure & Sundair	Apr 4,400	(2,240)	21.4 (12.6)	5.3 (4.4)
Process Duffryn	March 33,000	(27,049)	34.6 (26.2)	18.5 (16.2)
Process Systems	Dec 6,030 L	(3,272)	-	-
Ramco Oil Serv	Dec 88 L	(1,640 L)	-	-
Refco Ltd & Nela	Feb 510	(338)	11.7 (6.8)	4.0 (4.0)
Seab	Apr 118,400	(62,300)	62.0 (40.0)	5.8 (7.6)
Shel	March 1,940	(2,230)	0.8 (1.8)	-
Steele & Simpson	March 8,940	(7,220)	11.6 (9.2)	4.6 (3.9)
Storehouse	Apr 113,100	(123,100)	20.4 (22.2)	8.8 (8.6)
TR North America	Mar* 1,070	(1,430)	1.6 (2.2)	2.8 (2.6)
TR Property Inv	Mar* 2,680	(2,030)	1.6 (1.6)	1.6 (-)
Trustee Invest	Mar* 4,450	(4,450)	20.0 (28.0)	20.0 (18.0)
Yark. Unit	March 5,510	(8.8)	5.3 (3.2)	2.0 (1.0)

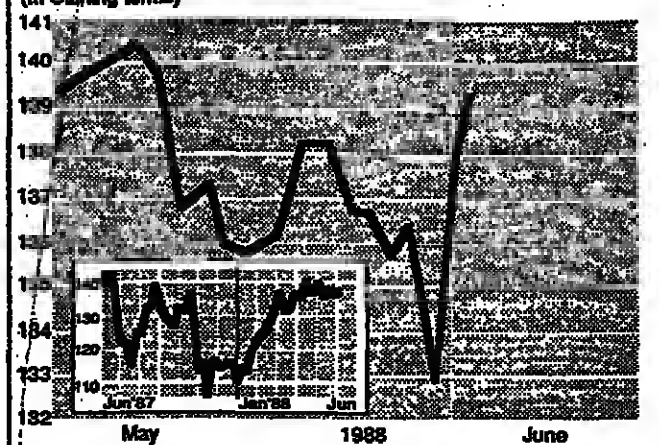
MARKETS

Nervous Tokyo nears a turning point

THE TOKYO stock market is again making everyone uncomfortable. The Nikkei average of 225 leading shares on the Tokyo Stock Exchange set a record of 27,869.36 on Thursday, and heavy trading has seen ebullient volume of the kind not seen since before October's market crashes.

The Nikkei has now risen a breathtaking 32 per cent since its low point in November, and has done so largely without the help of its dominant financial subsection, which accounts for about a third of the index. The average

FT-A World Indices - Japan
(In Sterling terms)



Japan

price-earnings ratio of the Nikkei index shares is a lofty 66 and the yield a meagre 0.7 per cent.

At least it can now be said that there has been some fundamental underpinning for the sharp rise this year. As the flood of company results in the past few weeks has confirmed, profits have been rising handsomely. Pre-tax profits of industrial companies in the last fiscal year were up, on average, 26 per cent over the previous year.

However, in the current year, this sort of earnings growth rate is unlikely to be achieved. One research institute this week was forecasting only a 7.7 per rise.

Similarly, the economy as a whole is not expected to sustain the rapid growth recorded in the past three quarters. Thus, it is being suggested in some quarters that even the Japanese Ministry of Finance, despite its undoubted influence over financial markets and despite its eagerness to see the stock market remain strong, may not be able to prevent things from going a little soggy in the next few months.

This is creating some anguish moments for investors in the Japanese market, especially foreign investors. Typi-

cally, it is said, foreign investors reduced their commitment to the Tokyo market last October on the assumption that it would soon crash in sympathy with US and Western European markets. As it became apparent early this year that this was not going to happen, they gradually rebuilt their Tokyo weightings, but they still have not got them up to levels they feel would be appropriate.

On the other hand, the Tokyo market is at a peak level today, and the Japanese economy itself may be at a turning point. No-one thinks that Japan is

headed for a recession, but growth is widely expected to slow down. Analysts point in particular to the weakening of growth in industrial production and the rise of inventories. "We last saw that in 1983, and the market went from 12,000 to 9,000," says Joe Williams, general manager of Alliance Capital Management. Another key to the performance of the Japanese market in the past two years has been a strong inflow of funds. In general terms, Japan's liquidity, reflecting its current account surplus, remains very strong, and there is plenty of money available to sustain the stock market, if that is what investors want.

However, some of the main components of fund flow into the stock market are changing significantly. In 1986 and 1987, a coincidence of factors - large corporate earnings caused in part by the sudden rise of the yen and a lack of private sector capital spending - meant that many industrial companies suddenly had huge cash surpluses.

Most tended to channel a large portion of them into securities through tax shelters known as Tokkin funds and fund trusts. Life insurance companies also used Tokkin and fund trusts on a large scale to bolster their earnings. The flow into these funds in the year to March 31 1988 is estimated at ¥11,000bn (247bn) after a similar flow in 1987, of which

FT-ACTUARIES
WORLD INDICES

Country	Starting % change since Dec 1987	% change since Dec 1987
Australia	+41.4	-3.1
Austria	+9.1	-8.6
Belgium	+22.3	-8.6
Canada	+14.2	-12.2
Denmark	+15.6	-0.7
France	+16.2	-24.6
Germany	+3.5	-22.5
Hong Kong	+19.3	-15.2
Ireland	+33.4	-4.0
Italy	+4.5	-34.5
JAPAN	+24.7	+0.1
Malaysia	+20.4	-0.4
Mexico	+56.9	-27.8
Netherlands	+8.5	-17.6
New Zealand	+11.5	-20.0
Norway	+22.7	-20.2
Spain	+24.3	-25.4
Sweden	+22.4	-24.6
Switzerland	+34.5	+0.9
Taiwan	+1.4	-22.3
UK	+6.5	-15.7
USA	+12.2	-17.9

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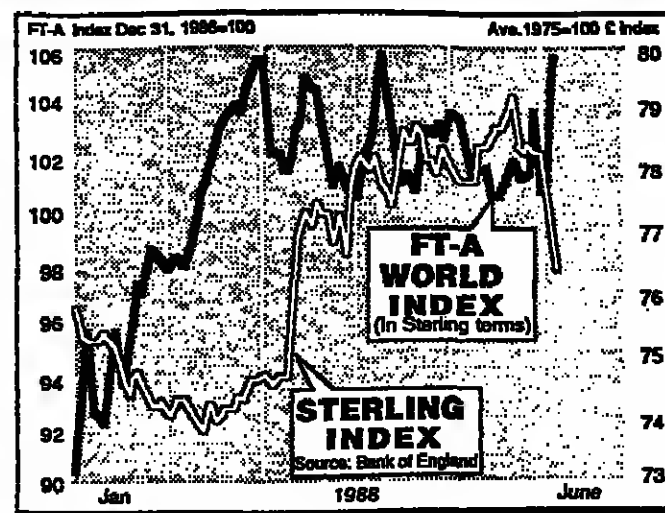
about a third went into equities. This year the flow of new capital into Tokkin funds has dried up, partly because many companies are directing their surplus funds back into capital investment but also because some have brightened last autumn at the prospect

of having to declare losses on these investments.

However, Tokkin funds have been replaced by the return of the foreign investor. Last year, foreign investors sold more than ¥7,000bn in Japanese equities. So far this year they have been net buyers to the tune of over ¥400bn. Also, some large investment institutions, especially life insurance companies and pension funds, are expected to step up investment in the equity market.

Then there is the question of whether or not the recent pickup in Japanese portfolio investment abroad will continue, in which case there would be less money available for the Japanese stock market. Last year, this flow slowed significantly when investors became fed up with suffering huge exchange losses on dollar securities. However, it has picked up slightly so far this year as the foreign currency markets have stabilised. Purchases of foreign securities in the first four months averaged \$4.9bn a month, compared with \$3.4bn a month in the last four months of 1987.

On the supply side of the equation, the schedule of new issues in Japanese equity markets is much heavier this year than last, although some of the issues would evaporate if the market went soft. Banks are having to raise capital to meet new internationally agreed capital ratio standards, and many industrial com-



panies are lining up to take advantage of their much improved profits.

Another huge tranche of Nippon Telegraph and Telephone stock is to be sold. According to Kleinwort Greaveson, the new issue total this year could be ¥11,000bn - a huge sum, but not when set beside the estimated combined cash flow of the principal investing institutions of roughly ¥100,000bn. Thus, excess liquidity or "weight of money" could continue to be a major influence on the Tokyo market.

However, investors could just as well decide to take their money elsewhere. The bulls argue that the Ministry of Finance is so committed to the

bank and NTT issues that it will do its best to keep the market sweet. Lynne Ross, research director at W.I. Carr in Tokyo, believes that the trend of the US economy and interest rates will remain uncertain and that Japanese investors will be cautious about expanding their overseas investments. The bears say even the MoF will be unable to prevent some correction in the Tokyo market in the next few months and that will provide a better opportunity than today for foreign investors to increase their Tokyo weightings.

Ian Rodger

Holiday gives Dow a break

WALL STREET should take more holidays. Investors, refreshed by the Memorial Day long weekend, rushed back to work on Tuesday with an urge to buy. The rally ran only two days but it was fun while it lasted. With prices pumping after weeks of desultory drifting nobody was churlish enough to complain about the volatility or call for trading curbs.

Market analysts, caught short by the vigour of the upturn, floundered for a couple of hours while they pieced together an explanation. Some optimists tried to argue that it was the start of a longer-term rally which would prevail through the summer. More realistically, though, it looked as though equities were merely mimicking a technical bounce in the bond market.

Battered by weeks of bad news about a strong economy and tighter monetary policy, Wall Street had pushed its sell-off of stocks and bonds further and faster than was necessary. Three days' contemplation over last

weekend convinced some investors that the outlook was not as bleak as they had believed.

They found some justification for their view in the latest economic data and signs that the Federal Reserve would not aggressively drive up interest

Wall Street

rates in the near term. Concerned by the fragility of the financial markets, the central bank would instead let rates drift higher and then tighten its policy later as a confirming measure, some analysts suggested.

At first glance the economic figures were reassuring. Leading economic indicators, factory orders and job creation were all a tad weaker than in recent months. The most optimistic held the brief belief that interest rates had peaked, but it is too early to tell whether the cooling is suffi-

cient to keep the lid on inflation and interest rates.

Undeterred by the inconclusive evidence and rising commodity prices, buyers piled into bonds on Tuesday and Wednesday, driving up the price of the Treasury's benchmark 30-year bond by some two points. Stocks, rarely so tightly tied to interest rates as now, went along for the ride. The Dow Jones Industrial Average soared by 74.68 points on Tuesday, its sixth best rise in a day. The rally continued on Wednesday, taking the two-day gain to 107.57 points.

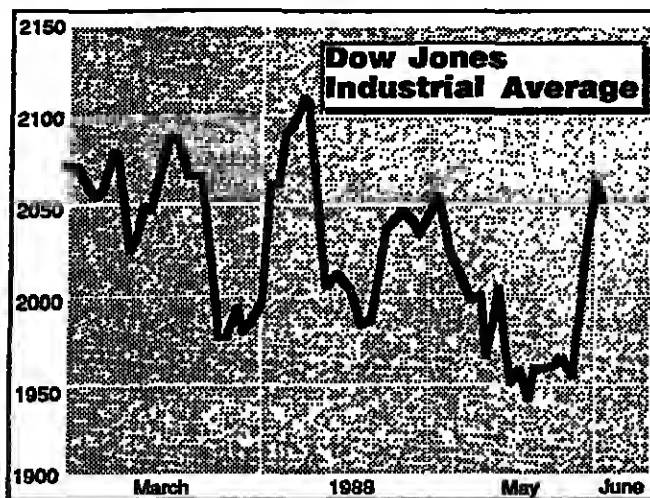
There was genuine buying by institutional investors, although for some prices were rising too fast for them to pick up as much stock as they wanted. Once again, though, the New York Stock Exchange trading volumes of 247.6m shares on Tuesday and 234.6m on Wednesday were inflated by ultra-short term trading to capture dividends.

When investors decided that the rally had restored bonds

prices and interest rates to more appropriate levels for now, the buying fizzled. Stocks lost their bounce too as markets slumped back into their post-crash lethargy. Not even a reassuringly moderate figure yesterday for job creation in May and a 0.2 percentage point rise in the unemployment rate could stir the markets.

Clearly, brokers are suffering from the strain of trying to breathe life into moribund markets. Perhaps they should have more time off to cultivate rally-inducing fresh views. It seems that Wall Street is working on the idea. Kidder Peabody has had to deny rumours that it was putting its traders on a four-day week and another major firm was said to have ordered its traders to take long lunches.

In reality the pressure for brokerage houses to cut overheads is building rapidly as business remains thin. The trend was shown when Bear Stearns released its fourth quarter results on Thursday. Its net profits rose



39 per cent in the three months ended April to \$57.7m but this owed more to trading on the firm's own account than to customer business. Commission revenues fell 19 per cent to \$88.4m while revenues from principal transactions rose 54 per cent to \$141.8m.

However, around Wall Street there is a sense of foreboding that the pressure to make more money on principal transactions to cover the shortfall elsewhere is going to push a few unlucky or ill-managed houses into embarrassing and costly trading losses. Investment banking depart-

ments of Wall Street firms have been trying hard to play their part in keeping up the year-end bonanzas. Few, though, are likely to emulate the adventurousness of Shearson Lehman Hutton in the \$1.72bn takeover of Koppers, the Pittsburgh building materials group, by Beazer of the UK. Shearson caught a lot of flack from customers and politicians for taking a 46 per cent stake in the Beazer bid, which was successful this week. Shearson will convert its stake in Koppers into a small preferred stock position but has earned \$50m to \$60m for its services.

One huge chunk of business, however, is elevating pulses in the mergers and acquisition departments. Something is going to happen to Texaco, whether it is a takeover from Carl Icahn, the New York investor who holds a 14.3 per cent stake in the oil company, a leveraged buyout from Kohlberg Kravis Roberts, which holds 4.9 per cent, or a raid from some other party. Takeover specialists, salivating over chunks of Texaco, are looking for buyers in the event of a break-up. The most enticing rumour was that Royal

Dutch/Shell had hired Morgan Guaranty Trust to size up the situation. Both firms kept a solemn silence.

The people keenest to talk work for Texaco. Like nervous people at a cocktail party, they are prattling away too loudly and rudely for people sure of their ground. Having dismissed Icahn's \$60 a share offer, worth \$14.2bn including other costs, as "a joke" they went on to rubbish his finance plans as "sketchy, sloppy and wrong." The last time they tried to fob off shareholders with flip comments rather than sound analysis, Pennzoil cleaned them out of \$10.5bn in the bankruptcy court. A lot of people, from underworked arbitrageurs to bored brokers, would love a battle for Texaco for what would be the biggest US takeover.

	Monday	Tuesday	Wednesday	Thursday
Closed	2,031.12	+ 74.88	2,064.01	+ 32.89
	2,052.45	- 11.56		

Rod Oram

Once you have read the rules you may need a little help



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Year to 31st March 1988

		Change	
		OVER ONE YEAR	OVER FIVE YEARS
DIVIDEND per share	230p	+15.0%	+98.3%
NET ASSET VALUE per share	126.1p	-19.6%	+90.2%

Features	Distribution of Investments
\$80m multi-currency loan increases gearing to 20% of total assets.	United Kingdom 56.2%
Increase in UK holdings, including substantial purchases of convertibles.	Europe 15.6%
Significant reduction in United States.	Japan (including Hong Kong) 14.8%
Successful introduction of Savings Scheme.	United States 13.4%
Number of shareholders rises from 10,000 to 12,000.	100.0%

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FT 4/8

INVESTMENT MANAGEMENT SINCE 1908 INVESTMENT MANAGEMENT SINCE 1908

FINANCE & THE FAMILY

Nikki Tait explains why Atlantic Assets has restructured its operation

Simpler replacement package offered

ABOUT 4,500 individual shareholders in Ivory & Sims's £140m Atlantic Assets Investment Trust should have breathed a sigh of relief last week. Having seen a formidable complex reconstruction scheme voted down in February, they will now have received details of a much simpler replacement package.

Some shareholders may wonder why Ivory & Sims is so anxious to reconstruct the trust in the first place. The answer is simple.

Several institutional shareholders - in particular, some of the powerful life insurance companies - are keen to cash in their substantial investment trust stakes, partly because they are now marketing their own unit trusts, and partly because they believe funds can be managed more effectively in-house. These shareholders obviously like the terms to be right - that is, for the cash exit level to be as close to the underlying net asset value as possible.

Pressure from this formidable lobby is compounded by the fairly active role which "discount-strippers" have played in the sector recently. The normal scenario is for the "discount-stripper" to take a stake in a trust and then agitate for some means of eliminating the traditional discount between its share price and the underlying net assets. When management is finally obliged to comply, it makes a nice turn.

The upshot is brutal: if investment trust managers do not get their own houses in order, there is a very real fear that someone else will do the job for them. How much better, then, to launch a pre-emptive reconstruction?

As far as Atlantic is concerned the new scheme offers shareholders two options. First, they can

If investment trust managers do not get their own houses in order, someone else may do it for them

swap their Atlantic shares for shares in an offshore "umbrella" company, called the Atlas Fund. Atlas is an open-ended investment company, which means that shares in its various sub-funds trade at, or close to, underlying net asset value.

The small snag is that the scheme gives investors Atlas shares worth only 95 per cent of the underlying net asset value of their Atlantic shares. As a "cash-out", that may not be the best offer shareholders have seen recently. But it is certainly presentable, and given the nature of Atlantic's portfolio - the high proportion of unquoted investments - is probably as high as

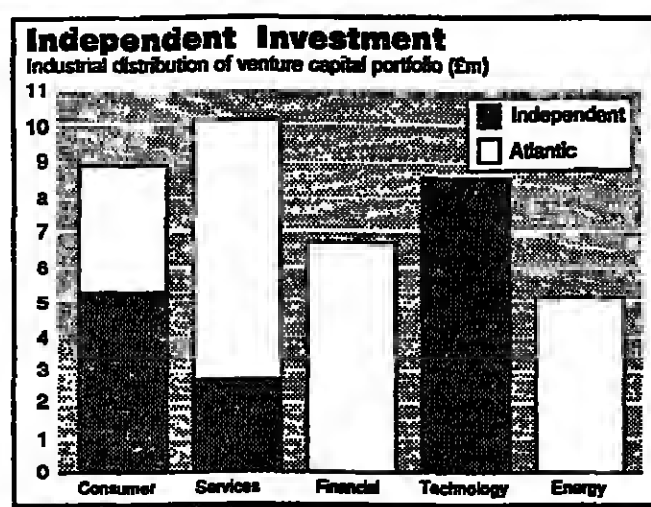
anyone can realistically have expected.

The second option is to swap shares in Atlantic for shares in the Independent Investment Company, another investment trust in the Ivory & Sims stable.

Here, the terms are more favourable: an investor will receive shares in Independent worth 100 per cent of the underlying net asset value of his Atlantic shares. Clearly, anyone who does not have a pressing need for cash, needs to take a closer look at Independent before deciding which route to take. Independent has seen its own changes recently - and will adjust again as a result of the Atlantic reorganisation.

The first change came in August last year, when the trust announced that instead of specialising in the technology sector, it would concentrate on venture capital situations in the UK and North America. Management passed to a new company, formed jointly between Ivory & Sims and Hambrecht & Quist, the American venture capital specialists. A number of board appointments were made, including WPP chief Martin Sorrell, Gerald Tsai, chairman of Primera Corporation (formerly American Can) and Mr Q. Wiles, vice-chairman of Hambrecht & Quist itself.

To date, the trust's venture capital portfolio has remained fairly small - at around £17m and under one quarter of total net assets. However, that will



change. At present, Atlantic owns 60 per cent of Independent's shares and also has a £23m venture capital portfolio of its own. The plan is for Independent to buy both the shares and these investments at net asset value less a discount equivalent to 5 per cent of the elections for the Atlas Fund. (The discount is possible because shareholders taking the Atlas route are receiving only 95 per cent of the underlying net asset value of their shares). The Atlantic shares in Independent will then be cancelled.

Because these assets are being acquired at a discount, there should be an immediate uplift in net asset value at Independent - which, in turn, should encourage existing Independent shareholders to back the scheme. The uplift could range from almost 26 per cent if all shareholders take the Atlas route, to 7 per cent if 30 per cent opt for Independent.

Obviously, the precise shape of Independent will not be known until Atlantic shareholders make their decision. But assuming that perhaps a fifth of the Atlantic shares are swapped into Independent, a trust worth about £58m would result. The venture capital portfolio could be around £38m. Within that portfolio, the 10 per cent holdings will have an esti-

mated value of £24m, and include the likes of MFI Furniture Group, National Parking Corporation, Banksia Underwriting Agencies, California Energy, a West Coast energy exploration company, Autoclean, and - less happily at present - high street retailer Gillo. The total venture capital portfolio will contain about 25 investments, and have a fairly broad industrial spread (see chart).

Unfortunately, the track record of Independent under its new investment policy is too short for any sensible assessment to be made. Under the former policy, the trust fared well in the early eighties but then suffered from the general downturn in technology stocks. But it may be worth noting that H&S was granted 12.5m "A" warrants which are exercisable between 1992 and 1997 at 158p. For those to yield a profit, analysts at Warburg Securities estimate that net assets would need to grow at about 15 per cent a year - a fairly strong management incentive. Moreover, a fixed life - to the year 2000 - is being set on the trust.

Atlantic shareholders should assess their own requirements and their willingness to take risk - and decide accordingly.

Fiona Thompson reports on how participants are faring in the Great Investment Race

Headaches, tears and brave words



THE GREAT INVESTMENT RACE

Great Investment Race How They Stand

1	(1)	Cazenove	£178,786	(£126,982)
2	(2)	Prudential	£122,032	(£115,034)
3	(3)	Nomura	£108,322	(£ 97,488)
4	(4)	Henderson	£108,740	(£ 94,688)
5	(5)	Daiwa	£ 82,570	(£ 80,048)
6	(6)	Hoare Govett	£ 82,040	(£ 88,773)
7	(7)	Capital House	£ 81,100	(£ 67,228)
8	(8)	Bell Lawrie	£ 58,599	(£ 58,927)
9	(9)	Enskilda	£ 53,948	(£ 54,654)

Last month's position in brackets

been getting some options wrong and we lost about £1,000 on FTSE puts." But Bell added £1,700 during the month to reach £58,599, and moved up one position to eighth place.

Its holdings in Scottish & Newcastle Breweries and Low & Bonar did well "and we made £2,700 on the sale of our Johnston Press stock." The Bell team believes the market will go down and is acting to back this. "We're taking a position on the downside, but we are also happy to keep our basic portfolio," says Henderson.

Hoare Govett, on the other hand, has divested itself of all holdings bar one and, by some

Takeover action is still playing an important role for some teams

nifty dealing, has managed to move up by £10,000 to £88,040 and from eighth to sixth position. "We took a modest profit - £2,000 - on selling our P&P Computers shares; went in and out of Viatralic, making about the same; then put £50,000 into a Thai fund and took £57,000 out a week later," says Peter Clark. "This is our policy: to find good situations and put the whole lot in for five or six days."

Capital House, the investment management arm of the Royal Bank of Scotland, has slipped one place to seventh and has seen only a minor £900 boost to its stake, taking it to £81,100. But as far as David Kidd is concerned, it was a good month. "Our Australian gold stocks have finally come right," he says, with feeling.

Capital has been holding the two stocks since January and

kept the faith despite Metana Minerals being off by 50 per cent and Western Mining showing a 20 per cent loss. "Metana is now only 6 per cent off Western and is on a 20 per cent profit. We are very pleased," Kidd adds.

Takeover action is still playing a pretty important role for a number of the teams. Henderson, the independent fund management group in fourth place, saw a £3,000 rise taking it to £103,740 this month - and £6,000 of that came from Cadbury call options. "When the bid started to hot up we decided to take a turn right away, so we bought and sold within half an hour," says Anthea Nugent. "If we'd held on we could have made a lot more," she added, rather hesitantly. "Don't ask me how much, I'll cry."

Cazenove had a coup with DPCE Holdings, notching up a £59,000 profit. The City stockbroker bought the DPCE shares "which were clearly undervalued," according to Bernard Cazenove, and, four days later, Granada launched a £10m bid. "The rest of the month was not that rosy for Cazenove. Having built up the fat of profit, we felt it was okay to take views - but in a number of cases the view was incorrect," Bernard Cazenove says. "We lost £20,000 on Bass call options and a fair bit playing FTSE futures." But, plainly, the good news was there also as Cazenove ended the month almost £52,000 up at £178,786 and holding on very strongly to its number one position.

The Prudential rose £7,000 to £122,032, doing well on Plessey shares and futures dealing and in second place for the second month running. Trevor Pullen was confident the Pru would regain the top slot but coy about just when. "It's difficult to forecast but definitely before the end of the race." Next month, we are halfway there.

THE EDINBURGH INVESTMENT TRUST plc.

Annual Report 1988

Extract from Chairman's Statement

"Corporate profits continue to grow and your managers have returned to a fully invested position"

Ivor Guild, Chairman

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Post

Guide books

William Cochrane on a series of personal finance paperbacks

ALLIED DUNBAR, the personal financial services group, has launched what it calls a major new series of paperbacks designed to provide clear, jargon-free guidance on a range of personal finance topics.

The first four titles - *Managing Your Finances*, *Buying Your Home*, *Running Your Own Business*, and *Planning Your Pension* - are available from W.H. Smith and other leading bookshops.

Allied Dunbar says all of the books contain practical suggestions, check-lists, examples and more, and are written in a style that aims to make complex subjects more easily understandable.

Managing Your Finances is written by financial journalist Helen Pridham. The book has practical guidance on planning for regular monthly spending; for special events such as paying for holidays; and for meeting long-term objectives such as a regular income in retirement.

Buying Your Home is a step-by-step guide by another financial journalist, Richard Newell. It covers the costs of moving and the best way to repay a mortgage

and explains how to get the best out of estate agents and solicitors.

David Williams, professor of commercial law studies at Queen Mary College, London, adopts a down-to-earth approach to all the important aspects of becoming self-employed as author of *Running Your Own Business*. He covers raising capital, minimising tax, choosing premises, employing staff, granting credit, marketing, and where to get expert advice.

Planning Your Pension sets out to give a comprehensive explanation of the choices facing people in 1988. It is written by Tony Reardon, author of the successful hardback, the *Allied Dunbar Pensions Guide*.

The book details the new personal pensions and provides guidance using examples and flow charts on such issues as whether to contract-out of the State Earnings-Related Pension Scheme; whether to leave existing company schemes; what decisions to make when changing jobs; and the options open on retirement.

Seven more titles in Allied Dunbar's money guide series are planned for this year. Two of them devoted to owning property abroad - *Your Home in Spain* and *Your Home in Portugal* - are to be available in July.

*Published by Long at £4.95 each.

Eric Short gives advice on how company pension schemes are administered

Are your trustees to be trusted?

YOU ARE an employee of Whitstable Widgets and have decided to reach in the company pension scheme, despite the warnings of the local Utopia Life Company salesman to sell you a personal pension.

But who looks after your interests as a member of the scheme, or the interests of your father, a trustee, who has the trust of the local Utopia Life Company salesman to sell you a personal pension.

At present, company pension schemes are set up by the employer under trust and operate under trust law. The operation of the scheme, including the benefits paid, is set out in the trust deed and scheme rules - all laid down by the employer with possible consultation with employee representatives.

However, the administration of the scheme rests with the board of trustees, whose actions are governed, in theory, by trust law. This system has been being called into question in recent years and the Occupational Pensions Board (OPB) has been instructed by the Government to look into the whole question of the relationship between employers, trustees and members.

You may well feel that since your pension scheme has operated without any apparent problems for more than 30 years, the existing system has been proven and needs only minor changes.

The general attitude of the pensions establishment is to leave well alone. The National Association of Pension Funds, the Society of Pension Lawyers and other pensions bodies have vociferously opposed any suggestion for specific legislation.

They argue that under trust law, the trustees have always to act in the best interests of beneficiaries and can be answerable at law for their actions.

The system as it stands provides maximum flexibility in the

operation of pension schemes. Specific legislation, it is argued, would impose an undesirable rigidity on schemes.

But consider how this system affects the operation of your scheme and how it affects you and others.

The scheme rules lay down that your pension when you reach retirement will be 1/60th of your salary at retirement at 65 for each year of employment with Whitstable Widgets. The pension being paid to your father, who has just retired, was calculated on this formula.

But what happens to your father's pension in future years? The scheme rules state that the pension will be increased by 3 per cent a year, or by the Retail Price Index if less. Additional increases are at the trustees' discretion.

At present this arrangement is satisfactory. Inflation is low and pension schemes are producing such high surpluses that the trustees and employers can afford to increase pensions now to make up for past ravages of inflation.

Your expectations are that the value of your pension will be maintained, but this depends on the goodwill of the trustees or the employer - the current system is far from clear who makes the decision.

Your employer has shared the benefits of the surplus with members. But your local rival firm, Sealstar Synergy Systems, kept 90 per cent of the surplus for the benefit of shareholders and made only token increases in pension payments.

The OPB is seeking not only views on whether rights and expectations should be spelled out clearly and whether the role of employer and trustee should be clearly defined. It wants details of case histories where the present system has failed.

But its investigations do not

stop there. Whitstable Widgets can wind up the scheme at any time and what happens to your pension expectations then?

Currently employers are showing remarkable loyalty to employees in maintaining company pension schemes in their existing final salary form when it comes to winding up the scheme, pocket the surplus and replace it by one of the new arrangements.

However, the reverse is happening when a company is taken over or merged. The new employer often does not hesitate to cut back on expectations and strip out the surplus in the scheme.

Look what happened when Canterbury Castors, that well known acquisition firm, took over Chestfield Carbons. The surplus virtually covered the cost of the acquisition, but pensioners of Chestfield Carbons got no more than their scheme rule pension increases, while most of the employees were made redundant with deferred pensions based on the minimum statutory basis.

The responsibilities of trustees

towards members was easily sidestepped by Canterbury Castors. Its owner, Mr Asset Stripper, simply ensured that he had a tame board of trustees to rubber stamp his decisions.

The OPB investigation is paying particular attention both to the role of trustees and to the situation in takeovers and mergers and wants details of actual experiences.

This is important to you, because it is rumoured that Canterbury Castors is now looking at Whitstable Widgets.

Perhaps you feel that any bid could be blocked by the pension scheme trying to defend shares in Whitstable Widgets. After all, this has been done successfully by other pension companies to fight off a bid, though as an investment decision it was very expensive.

The OPB is also looking at the question of self-investment between the parent company and its pension scheme and the whole question of the extent of control of investment policy by the employer.

The general consensus is that self-investment should be strictly limited. But this ignores the fact

that by holding a significant amount of the parent company shares in the pension scheme, the company is virtually bid-proof.

Finally, what can you do to seek any redress against what you or your father may feel are adverse decisions by the trustees? Your only recourse is to the law - an expensive means of redress and far from certain to succeed.

The OPB is looking at how enforceable trust law is in the courts and whether there is a need for independent arbitration for company pension schemes.

The OPB is guaranteeing complete confidentiality in all evidence submitted, including oral evidence. So if you write to the board, there is no way that Whitstable Widgets or Canterbury Castors will find out who you have written.

Full details of the remit and of the questions the OPB is seeking to answer can be obtained from the Occupational Pensions Board, Lynwood Road, Thames Ditton, Surrey KT7 0DP telephone 01-896-4242 (Ext 4089).

Evidence and comments must be received by August 5

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9.27% gross*	9.6% gross*	8.93% gross*
		5.7% (net p.a.)
		7.6% gross*



*Equivalent gross rate for basic rate taxpayers. Full details of these accounts can be provided on request. General Portfolio Life Insurance PLC, Valley House, Crossbrook Street, Chesham, Herts EN8 5JL Tel: 0992 31971. A member of LAUTRO

FINANCE & THE FAMILY

Kiss the cheque book goodbye

David Barchard looks at alternative forms of payment

COULD YOU or your family manage without a cheque book? Two building societies, Halifax, and Alliance & Leicester, hope that some who do have cheque books will be persuaded to adopt alternative forms of payment.

Last Wednesday, Alliance & Leicester launched its "CashPlus" account, a card account which pays interest and allows you to pay bills by automatic transfer, including direct debit. It also has a phone banking facility. CashPlus is similar to the Halifax's Cardcash money management account launched 16 months ago. By March 1988, there were 2.6m Cardcash accounts.

A colleague who decided to shed his cheque and non-interest earning bank current account in favour of Cardcash is enthusiastic. "The only main disadvantage," he reports, "is that you are not allowed to go into overdraft. But since you can use the Halifax's ATMs (automatic teller machines) to look at the balance in your account right up to the moment, anyone who manages their money at all carefully is unlikely to go into overdraft. The technology of the Halifax's ATMs is far superior to that of my old bank."

For Halifax customers, a lot hinges on how close you are to a Halifax ATM, as the society has decided to go its own way, independent of all other ATM chains and networks. There are about 900 Halifax ATMs around the

country and the number is being increased. By the end of the year, there should be 1,100 Halifax machines. In addition, the Halifax Visa card - due out later this year - will be usable at machines belonging to the banks which take Visa cards.

Alliance & Leicester customers will be able to use the 1,000 machines belonging to the Matrix network and can withdraw up to £250 a day. Halifax customers will shortly be able to draw out up to £300. Both figures compare favourably with the £100 limit on the major banks' cashcards.

Last year, the Halifax Cardcash system handled what the society describes as a "staggering" 55m transactions, including 27m withdrawals, together with deposits, bill payments, fund transfers, and other services. About a fifth of all transactions are carried out on Saturdays, when Halifax customers seem to prefer to manage their personal funds.

A credit or debit card is probably a useful adjunct to these sorts of accounts, unless you always want to pay by cheque. Halifax says that its forthcoming Visa card is likely to be followed by a debit card in due course.

Alliance & Leicester say that "CashPlus" is aimed largely at the 18 to 25 age group, and the phone banking facility has been included because surveys showed that young people wanted it. By using a tone pad, the society's customers will be able to carry out over the telephone all the things that they can do with an ATM, including paying bills. They will also earn interest on their accounts of between 4 and 5.5 per cent. The Woolwich offers a plastic card account with a money management system.

LIKE MANY people in the business and financial world these days, I have just made my pilgrimage to Brussels to learn all about 1992.

I have undoubtedly returned a wiser man, laden with white papers, directives, documents and sheaves of notes. Quite how much of my newly acquired wisdom falls within the terms of the Treaty of Rome and will serve to reinforce the process of political and economic integration in Europe, I am not sure.

The first thing I learnt, for example, is that you still need your passport to get into the EC's headquarters at the Berlaymont. Not bad for an organisation that is supposed to be breaking down frontiers.

Something else I learnt is that those smart DTI advertisements urging us all to grab the 1992 opportunity with both hands are a source of some amusement to our Brussels friends. Once you understand how the great EC machine works with its unruly clash of political and bureaucratic forces, the idea that anything as neat as a unified market could emerge by the end of 1992 seems decidedly far-fetched. As one official confided to me, "If we achieve 100 per cent we shall cause a revolution!"

To suggest, as one Berlaymont cynic did, that 1992 is "a great con trick" may be going too far. But it is undoubtedly true that EC officials spend a good part of their time trying to persuade others - and themselves - that 1992 is going to happen no matter what. There is no law which says the unified market must exist by December 31 1992; it's merely a deadline set by EC officials.

But even if a touch of scepticism is in order, the pace of 1992-related events is about to hot up, and the coming months will bring debate on several proposals affecting personal finance. The EC's aim is to make financial service practitioners a bit like car

David Lascelles visits the EC bureaucracy

The return of a wiser man

drivers: if they are licensed to operate in one country, then they can automatically operate in any other. This should widen the range of financial products available to the consumer and, with luck, bring down their cost.

The proposals fall into three broad areas: banking, insurance and investments.

The Commission has already put out its ideas for banking. It has proposed that any bank which is authorised in one EC country should be free to market its wares in any other without further ado. And it will be able to

supply whatever services its home regulator permits it to do throughout the EC, even if they are banned in another EC country. (This, at least, is the aim; quite what happens in practice when Directive clashes with national law may have to be fought out in the European Court.)

The Banking Directive setting this out will be debated in the European Parliament next winter.

The year 1992 is the deadline officialdom has set for a unified European market - but, realistically, can this be achieved?

supply whatever services its home regulator permits it to do throughout the EC, even if they are banned in another EC country. (This, at least, is the aim; quite what happens in practice when Directive clashes with national law may have to be fought out in the European Court.)

The investment business is the least advanced from a 1992 point of view. The Commission is only now putting the finishing touches to a directive on investment services. This will have the same effect as the Banking Direc-

tive: it will enable any authorised investment practitioner to operate throughout the EC on a "single licence" basis. One EC official described it as "a European FSA", referring to the UK's recently enacted Financial Services Act, the only legislation of its kind in an EC country. There will also be a directive to make insider trading a crime throughout the EC.

A separate directive extending the single authorisation principle to unit trusts has already been agreed. This will come into force in the latter part of next year.

All these specific measures fit into a much broader framework designed to free up the movement of capital throughout the EC and make it easier to compare the cost and quality of services between countries. (One proposal will oblige all banks to quote their interest rates the same way, for example.)

No trip to Brussels is complete without hugging a book called "1992: The benefits of a single market" by Paolo Cecchini. It verges on propaganda in its enthusiasm for the integrated market. But it also contains some interesting research into the likely benefits of dismantling the barriers, and widening consumer choice.

This shows that, on average, prices for UK financial services should come down by 2-12 per cent, particularly in consumer credit, home insurance and stockbrokers fees where costs are among the highest in Europe. But this is only a small price drop compared to other countries. Spain, for example, should see prices falling by 16-26 per cent and Italy by 9-19 per cent. But because the UK's financial services industry is the biggest in Europe, the cash saving will also be the largest: over 50n Ecus (about £2.3bn), compared to 4.6bn Ecus in Germany, the next largest.

Equity prices cleared the 1,500 hurdle, the domestic dollar closed with a hair's breadth of 80 US cents - "the strongest it's been for some considerable time," comments Opal - and Australia's unit trusts leapt by an average 11.6 per cent. They were led by SIM Australian, up 20.2 per cent, with Baring Australia on 18.9 per cent; both valued offer-to-offer, excluding any reinvested income.

Truist with the highest exposure to banking, retailing and industrial stock came out best, says the statistics company. "Recent inactivity in gold prices," it remarks, "appears to have left mining shares, for the moment at least, trading in a thin market."

Scottish trust tops in May

month's runaway success. It sets out the background. On May 12, the Australian All Ordinary share index slipped below 1,400, a clear 228 points below its October 23 level. Federal Treasurer Paul Keating announced stringent curbs on state government spending and on May 25 introduced a "judiciously leaked, corporate tax-cutting mini-budget."

Opal notes a dealers' warning that the closely held shares in this trust can be very volatile. Elsewhere, gold and other commodities have enjoyed a good month, it says, as fear of growing inflation returns. Opal has also come up with unit trust performance figures to June 1 and says that, here, Australian equities were last

NORTH OF SCOTLAND, a small investment trust featured in the Weekend FT's Scottish edition five weeks ago, has topped the new Opal Statistics performance figures for investment trusts for the month of May.

Managed personally by George Robb and a co-director, which has sensibly changed its name back from Abstrust Holdings, North of Scotland tops the list with an 18.2 per cent gain against an average 1.1 per cent decline for the 206 funds in the list.

For the year to May 31 it comes 18th, with a 19.2 per cent gain against a median 10 per cent decline. North of Scotland was formed in September 1986 to specialise in its local area, and

FT exhibition

ALTERNATIVE investments are a special feature of the Financial Times Centenary Exhibition, to be held in Westminster from July 7-9.

In a session for collectors and investors, FT Wine Correspondent Edmund Penning-Rosewell will discuss investment quality Bordeaux wines and David Molyneux-Berry, head of wine at Sotheby's, will lead a tasting. Other Sotheby's experts will form a panel to discuss areas of developing interest for collectors and investors.

The programme also includes sessions on investing in gold, and

capital protection and growth for younger investors.

As part of the centenary celebrations, the NCOs Symphony Orchestra, under Volker Wanger, will perform at Greenwich. Glyndebourne soloist Anna Steiger will sing Dvorak, Bizet and Granados. An allocation of concert tickets (including river transport to Greenwich) is available for people attending the exhibition.

Inquiries to The Financial Times Centenary Exhibition, 175 Leicester Road, London SW16 6DA. Booking inquiries: 01-731-4484. General inquiries: 01-925-2323

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These figures are on an offer to bid basis. Source: Micropal.

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Launch date: 1-5-1985.

HYF HIGHER YIELD FUND

Investment objectives: to produce a higher yield than is generally attainable from an equity based unit trust by a combination of fixed interest convertibles and equities and to pay distributions on a quarterly basis.

Launch date: 31-12-1986.

FS AMERICAN GROWTH FUND AGF

Investment objective: to achieve above average growth by taking advantage of the opportunities of well-managed growth companies in the North American market.

Launch date: 1-4-1987.

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For further information and full terms and conditions for any FS unit trusts, please CONTACT YOUR INDEPENDENT FINANCIAL ADVISOR or return this coupon to Lynda Somerville, Manager (Marketing), FS Investment Managers Ltd, FREEPOST 190 West George Street, Glasgow G2 2BR. I would like to know more about:

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Source: Micropal Offer to offer to 23/5/88

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Income Growth

SECURITIES TRUST
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Offers Capital Returns

Year to 31st March	1984	1985	1986	1987	1988	OVER FIVE YEARS
DIVIDEND GROWTH	+15%	+25%	+25%	+20%	+20%	+159%
SHARE PRICE 1983 = 40p	48p	57p	83p	110p	98p	+145%

Securities Trust of Scotland
REPORT AND ACCOUNTS 1988



MARTIN CURRIE

From the Chairman's statement: "I believe
the main reason that the Trust's shares are in
demand, especially since the October
collapse, is because of the relatively high
immediate yield and our clearly defined
objective of growth in income with a
consequent increase in capital value."

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MARTIN CURRIE
THE INDEPENDENT INVESTMENT MANAGERS
A member of I.M.R.O.

Christine Stopp on the 'forgotten' advantages of UK equity income funds

Trust the tortoise to head the pack

PREMIER TOP TEN TRUSTS

	Capital growth 3 yrs to 1.5.88 (FTAS + 62%)	Dividend growth 3 yrs to 1.1.88 (RPI + 13%)	Yield at 1.5.88
M & G Midland	120	61	3.91
Franklin Templeton	112	57	4.50
Gartmore Income	109	57	4.02
Wardley Income	101	111	5.50
Vanguard High Yield	100	55	4.34
Gartmore High Income	93	84	5.24
Crown High Income	93	50	5.00
Stewart Ivory British	91	112	4.47
M & G Extra Yield	91	44	5.08
Proffitt High Income	88	54	4.02

Source: Premier Unit Trust Brokers

brokers' suggestion to invest for
income on the grounds of the tax
bill on dividends, are now begin-
ning to show interest, says
Edwards.

It is true that you may land up
paying 40 per cent on dividends.
On the other hand, yields are still
rather lower than on a deposit
investment (average equity
income yield on April 1 this year
being 4.5 per cent. Building
society high interest account: 6.5 per
cent).

Dividend growth makes all the
difference, Gartmore calculates
that an investor who bought
units in its Income Trust (number
three in the Premier league)
five years ago would now be get-
ting a yield of 5 per cent on the
original investment. Aside from

growth and defensive qualities,
an income trust is therefore
attractive as a long-term hold for
someone seeking a deferred
income - the investor in early
retirement, perhaps.

Can the rosy performance picture
continue in this sector?
David Stevenson, manager of
Gartmore Income, thinks real
and absolute income growth will
be achievable this year and next.
After that, the income manager's
task could become increasingly
difficult.

The Gartmore strategy is to
pick income stocks according to a
list of criteria: level of yield, a
sound asset base, a lowish price/
earnings ratio, steady earnings
growth, a progressive dividends

policy and good share price
growth prospects. The most
important of these is yield. If it
drops below the level set, the
stock is sold.

Proffitt's Andrew Cherniavsky,
whose High Income trust is Pre-
mier's number ten, is less exer-
cised about yield. He describes
his trust as capital for growth
driven. "If you go for growth,
income growth comes automati-
cally. You can buy a bit of
income short-term. You can
never buy capital growth." He
agrees with one of the major con-
clusions of the Premier survey
that high yields on the whole go
with low growth. The best
growth of both capital and in-
come tends to come from low-
yielding trusts.

Cherniavsky's other theory
about the success of the income
sector is based on its long-term
alliance to the manufacturing
industry. This sector has pro-
duced a recovery in productivity
and an increase in competitiveness
as well as high yields.
Income funds have, of necessity,
been strongly represented in the
sector.

What is his view of future pros-
pects for income funds? "I would
expect the next five or ten years
- with one or two caveats - to
see a continuing revival of UK
Ltd. Income trusts will stay in
the manufacturing sector, and
should continue to do well."

Linked funds strengthen GA pension

LIFE COMPANIES are in the
throes of unravelling their personal
pension contracts ready for the
start date of July 1 - less than a
month away - even though the
Inland Revenue has still not
issued its final rules on the
administrative procedures for
personal pensions.

Last week, General Accident
Life - which, in common with
others, aims to be a major player
in this field - unveiled its per-
sonal pension. The benefit struc-
ture of all these plans are virtu-
ally identical, being governed by
very detailed legislation and regu-
lations. The underlying invest-
ment funds tend to be similar as
well, though GA Life has gone
further than most traditional li-
fe companies by offering a wider
range of linked funds.

The company offers 14 in all,
ranging from specialist regional
funds such as American, Japan,
Pacific and European through to

a cash fund and a building
society fund, as well as a unitised
with-profit fund.

The new unitised with-profits
funds are very much a hybrid
between the traditional rever-
sionary bonus system and the
newer unit-linked funds. The
main difference between the con-
tracts relates to the charging
structure. GA Life has opted for
the following: an initial bid/offer
spread of 5 per cent with the
annual rounding adjustment of no
more than 2 per cent; a fund
charge of 0.75 per cent (these are
normal market charges); and a
monthly policy charge of £1.50
revalued in line with National
Average Earnings - one of the
lowest on the market.

For regular premium contracts,
GA Life is offering only 10 accu-
mulation units, making a reduced
allocation during the first two
years on a complex basis, the
minimum allocation being 70 per
cent for the first two years for
under 25s.

The unique feature of GA Life's
personal pension, as far as life
company products are concerned,
is its low minimum premium on
non-contracted personal pensions
of £10 a month.
The new system of crediting
basic tax relief at source by pay-
ing net contributions to personal
pensions means that employees
not paying tax, such as part-time
women, can take out a personal
pension and get tax
credit for the first time.

Lloyd's
policies

EACH WEEK more and more life
companies are announcing

increases in their term rates
because of AIDS (Acquired
Immune Deficiency Syndrome).

Previously, if an intermediary
dealing with a contract net
of commission, he had to tele-
phone for a special quotation and
receive confirmation in writing.

The three Gold Pensions con-
tracts - the Personal Retirement
Account, the Corporate Retirement
Account and the Personal Retirement
Account - have no
commission loading built into the
cost.

These products are designed to
be marketed solely through fee-
based financial advisers. It is
being marketed through a new
division of Provident Life - the
Professional Advisers Division.

The adviser can receive an
instant quotation on the benefits,
with nil commission to be paid.
The innovation continues in
the charging structure:

■ A flat front-end charge con-
sisting solely of a setting up fee
of £150 per individual. There are
no other initial charges.
■ A level loading combination
consisting of a service fee of £1.67
a month and a fund management
charge of 0.5 per cent.

The service fee does not
increase automatically in line
with National Average Earnings,
though the company has the
right to increase the charge.
The allocation rate is 88 per
cent of contributions for all
terms. Most charging structures
of this nature have a lower allo-
cation for the first year or two
and 100 or 102.5 per cent thereaf-
ter.

These changes look extremely
competitive. But in comparing
them with other commission-pay-
ing contracts, the client must
take into account the amount to
be paid in fees.

Eric Short

CHESS

CHESS novices and inexperience
players find it useful to
know the rules of thumb which
can help in establishing land-
marks in a bewildering boardful
of pieces. "Knights before bish-
ops," "only two or three pawn
moves in the opening," "rooks on
the central files" and "avoid
early queen excursions" are suf-
ficiently reliable to have enabled
man to make the transition
stage where blunders are avoided
and an overall grasp of strategy
is possible.

Yet experts know that every
position is individual, and that
games at high level are often won
by judging the right moment to
break routine principles of devel-
opment. In a higher sense it can
be argued that such rule-break-
ing games simply exploit the
loser's less obvious mistakes.
In this week's two games
White moves pawns, and pawns
alone. Not a single piece is devel-
oped, but in both cases Black's
position quickly becomes hope-
less. How can it happen? Not
really chessboard magic, but
exploitation of Black's over-in-
dulgence in knight moves. Even in
the endgame, knights are vulner-
able to pawn attacks, and in par-
ticular an advancing rook's pawn
squeezes a knight for squares. In
the games below, Black's knights
never have a chance to settle in
the centre.

White: F.J. Marshall. Black:
Bogosin.
Sicilian Defence (New York
1840).

1 P-K4, P-QB4; 2 P-QN4, P-P; 3
P-QR3, N-QB7.
Black can accept White's wing
gambit by 3... P-P or decline it
by 3... P-Q4.
4 P-P, N-B3?
Here N-P; 5 P-QB3, N-QB5; 6
P-Q4, P-Q4 would be much better.
5 P-N5, N-Q5; 6 P-QB3, N-K3; 7
P-K5, N-Q4; 8 P-QB4, N-Q-B5?
Instead 8... N-Q-B3; 9 P-Q4,
P-KN3; 10 P-Q5, N-N2 would put
up a fight.

9 P-N3, N-N3; 10 P-B4.
Winning material, for it 10...

P-B4; 11 P-P en passant and 12
P-KB3, while if 10... N-B2; 11
P-KB3, N-KP; 12 P-Q4 and the
central knight has no retreat.
10... N-N2; 11 P-P, N-P; 12
P-Q4, N-N3; 13 P-R4.
Completing the tableau where
all eight white pawns have taken
part.

Black continued a few more
moves, then resigned material
down with a poor position. The
winner, Frank Marshall, was US
Champion for 27 years.

White: R. Knjoth. Black: Fash-
ingbauer.
Sicilian Defence (Milwaukee
1850).

1 P-K4, P-QB4; 2 P-QN4, P-P; 3
P-QR3, N-QB7.
Black can accept White's wing
gambit by 3... P-P or decline it
by 3... P-Q4.
4 P-P, N-B3?
Here N-P; 5 P-QB3, N-QB5; 6
P-Q4, P-Q4 would be much better.
5 P-N5, N-Q5; 6 P-QB3, N-K3; 7
P-K5, N-Q4; 8 P-QB4, N-Q-B5?
Instead 8... N-Q-B3; 9 P-Q4,
P-KN3; 10 P-Q5, N-N2 would put
up a fight.

9 P-N3, N-N3; 10 P-B4.
Winning material, for it 10...

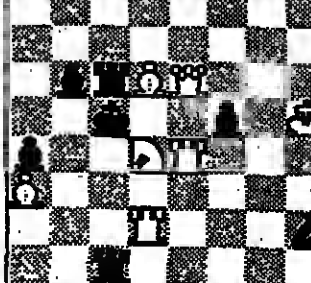
P-QR3, N-QB3; 4 P-P, N-B3? 5
P-N5, N-QN1.
Again this strange defence, a
decade later. Black's "innova-
tion" leaves his other knight
alone against the army of white
foot soldiers.

6 P-K5, Q-B2?
Hoping for 7 P-P, Q-K4 ch and
QxR, but taking away the
knight's best retreat. 6... N-Q4;
7 P-QB4, N-B2 is still a game.
7 P-Q4, N-Q4; 8 P-QB4, N-N3; 9
P-B5, N-Q4; 10 P-N3. Resigns.

Black loses a piece after 10...
Q-Q1; 11 R-P, R-R; 12 P-R, Q-B4
ch; 13 N-B3, N-N (if Q-N ch; 14
B-Q2; 14 P-N-Q, N-Q ch; 15
B-Q2, Q-Q1; 16 R-N.

PROBLEM No. 725

BLACK (7 MEN)



WHITE (7 MEN)
White mates in two moves,
against any defence (by A.C.
Challenger, 1906)

Solution Page XIX
Leonard Barden

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personal service which, we believe, is second
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If you are dissatisfied with your current
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01-583 2868.

*Source: Money Management, Feb. 1987 & Feb. 1988.

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Need for an auditor

I own 50 per cent of the ordinary shares in a private limited company which is trading. I receive my share of profit as an "administration charge" allowed by the inspector of taxes.

This charge is the only income from an unlimited company in which I own all the shares except one owned by my wife.

I charge this unlimited company with all the legitimate expenses involved in my work for the trading company, and myself (and my wife) a salary on which I pay PAYE etc.

Do I need an auditor for the unlimited company, if so what is the legal authority?

Alternatively is there another way of accommodating this income which does not require an auditor?

Trying to avoid an auditor's fee may well prove a false economy: unaudited accounts are likely to provoke detailed investigation by your tax inspector. Your best move would surely be to shop around for a reputable auditor whose fees are moderate.

Scottish estate

I am a UK non-resident, having spent the past 40 years in Zambia working in the mines. I am an extended leave in South Africa pending retirement. My brother is also a non-resident but my sister is resident permanently in the United Kingdom.

My father died in Scotland in 1961 leaving a simple hand-written will appointing a firm of solicitors as the sole executor. There was no mention of a trustee.

The will provided for the estate to be divided equally between his three children and a house to be life-rented to my sister. The estate duty was wound up. Recently, by mutual agreement, the house was put up for

sale, my sister having relinquished her life rent.

A few days ago, the solicitor phoned me to inform me that the house had been sold for £23,000.

(Estate duty value 1961, £2,800). Apparently, full capital gains tax had been deducted from the proceeds pending an assessment from the Inland Revenue.

Before the sale took place, the solicitors wrote to say that as my father died in 1961 before the 1964 Succession Act came into force, the situation is that, as individuals, we can either complete title in our own names or, if so desired, sell the property, deducting title from the will.

As a non-resident, am I responsible for paying capital gains tax on my share? How is it complied pre-Budget and post-Budget?

Ask the solicitor why he considers that exemption from CGT is not available under section 104 of the Capital Gains Tax Act 1979 (if we are correct in inferring that the house was your sister's main residence until shortly before she relinquished her life rent). The Act states:

"104 - sections 101 to 103 above shall also apply in relation to a gain accruing to a trustee on a disposal of settled property being an asset within section 101 (1) above where during the period of ownership of the trustee the dwellinghouse... mentioned in that subsection has been the main residence of a person entitled to occupy it under the terms of the settlement; and in those sections as so applied:

(a) references to the individual shall be taken as references to the trustee except in relation to the occupation of the dwellinghouse... and

(b) the notice which may be given to the inspector under section 101(5)(a) above shall be a joint notice by the trustee and the person entitled to occupy the dwellinghouse..."

BRIDGE

TODAY'S hands are from Unholy Tricks, by Terence Reese and David Bird, which is now obtainable in paperback, published by Gollancz at £4.95. You cannot fail to be amused and instructed by this book. Look first at this deal:

N	W	E	S
AJ	K84	Q10852	K8763
A10	K54	Q974	J93
A9	K10752	Q106	J93
A6	K10752	Q106	J93
A5	K10752	Q106	J93
A4	K10752	Q106	J93
A3	K10752	Q106	J93
A2	K10752	Q106	J93
A1	K10752	Q106	J93

In this deal from the Thursday night pairs, North dealt at game to East-West and bid one club, and the Abbot, sitting South, jumped to three no trumps. West led the two of diamonds. "Fourth best?" asked the Abbot, turning to East. "No, we play third and fifth," answered East. The Abbot cut him short and said, "In future you will kindly stick to fourth best, like the rest of the monastery."

Anxious to teach the young postulants, sitting East and West, a lesson in dummy play, the Abbot allowed East's knave to hold. As South had ducked, holding ace, six of diamonds, he must have two losers in clubs. In that case there was time to get the spades going, so East returned the six of spades to dummy's knave. A club to West's king was followed by the spade nine, which dislodged the ace, and when East obtained the lead with his ace of clubs, he ran three spade winners to beat the contract by two tricks.

"Why duck the first lead of diamonds?" said Brother Lucius, sitting North. "You should win the opening lead and play a club. West takes this, and leads another diamond. This time you must duck, and one more diamond from East clears the suit for his partner. You play another club, which is won by the ace, but East has no diamond to return, and you collect nine

tricks without trouble." "No doubt you understand new-fangled leads better than I do," said the Abbot sourly. "New perhaps we can get on with the next board."

West dealt this hand with neither side vulnerable:

N	W	E	S
AK75	K9753	Q1082	K8763
AK1082	Q54	Q106	J93
K85	Q106	J93	J93
	J964	1082	9732
	1082	63	9732

West opened with two hearts, a weak bid. Lucius doubled, and East raised to three hearts. After passes by South and West, North doubled again, and the Abbot's bid of three spades became the final contract.

West led the seven of hearts to East's ace, and a heart return forced dummy to ruff. The Abbot cashed the ace of spades and the two diamond honours, then ruffed a diamond in hand, setting up the suit. He ruffed his last heart in dummy, and cashed the king of spades, West showing out. He now led the 10 of diamonds, East ruffed with the 10 of spades, and South discarded a club. East drew the Abbot's knave of spades, but after making his ace of clubs, he had to give dummy the club king and the last diamond. Plus 140 was an excellent score for North-South.

"Better to ruff high," said West to his partner. "Then you can exit with the 10 of spades to the knave."

"That might work against your average declarer," said the Abbot. "But I would under-ruff with the knave to avoid the end-play."

"Is that right?" queried Lucius. "If you under-ruff East simply exits with a club, and ruffs dummy's last diamond."

"I think," said the Abbot, "that the analysis is a bit deep for our two young opponents."

E.P.C. Cotter

MONEY IN A BUILDING SOCIETY?

You can get at least an extra 2.25% interest by investing in higher paying societies. The June issue of Money Observer provides a unique star guide to the best building society deals for investors and borrowers, plus a comprehensive listing of every building society interest and mortgage rate as well as a complete share guide, and analysis of every unit trust, and investment trust.

Also in this 116 page issue, we profile Colin Rossier, and London International Group's Alan Woltz, report on AVCs and pensions, preview next month's dividend announcements, reveal who is building up key stakes in which companies, and discuss home-income plans for the elderly and home equity-release schemes for all. You will also have the chance to win two free tickets to the USA in our prize draw.

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MONEY OBSERVER

THE MONTHLY MAGAZINE FOR DISCERNING INVESTORS



No legal responsibility can be accepted by the Financial Times for the answers given by these columns. All inquiries will be answered by post as soon as possible.

hold may require the executors to discharge their inheritance tax liability as well, but a request to that effect ought to be made to the executors.

Plan for a home

I have a static caravan in woodland in East Sussex. Rates have been paid on it since April 1974 and I am on the electoral register at that address. I have mains water but no electricity.

In the great storm of October 16 1987 three chestnut trees demolished the caravan. I have always wanted to build a house in the wood: am I now in a position to do so, or do I have to get any local council permission before starting to build?

You will need to obtain planning permission.

I was informed that the extra interest I was paying was to my benefit in that the capital of £2000 was being reduced more quickly, thus reducing the 10-year loan period.

The system which your bank manager has described is the one which is normally applied in order to avoid frequent adjustments of the repayment schedule and a resulting increase in handling charges.

I took out a ten-year £2000 loan from a bank under the Consumer Credit Act in March 1987. The interest stated payable is 3 per cent above base rate (then 11 per cent) giving 14 per cent.

In a recent interview with the assistant manager, I tried to have the interest rate reduced to 11½ per cent (3 per cent above base).

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The system which your bank manager has described is the one which is normally applied in order to avoid frequent adjustments of the repayment schedule and a resulting increase in handling charges.

tion to do so, or do I have to get any local council permission before starting to build?

You will need to obtain planning permission.

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I took out a ten-year £2000 loan from a bank under the Consumer Credit Act in March 1987.

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I was informed that the extra interest I was paying was to my benefit in that the capital of £2000 was being reduced more quickly, thus reducing the 10-year loan period.

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Building societies expect another buoyant year



David Barchard explains why 1988 should be a record year for mortgages

IS THE mortgage market approaching its limits? Not according to Mr Adrian Coles, an economist at the Building Societies Association. He told the association's recent annual conference at Torquay that he believed that the mortgage market would continue to grow rapidly for at least the next twelve months.

"All the necessary economic and demographic ingredients are there to ensure that 1988 will represent a record year for mortgages."

Mr Tony Stoughton-Harris, the BSA's chairman, was even more optimistic. "On present trends, building societies will be lending over £50 bn this calendar year, probably 50 per cent higher than in any other year of their history."

He believed the building societies had now won back a 70 per cent share of the mortgage market, compared to 46 per cent in the third quarter of last year.

Mr Coles cited a number of reasons for expecting buoyant conditions throughout most of this year.

■ Real incomes are rising by about 4 per cent a year, unemployment is falling and Budget cuts have put additional purchasing power in people's pockets.

■ Interest rates are falling and mortgage rates are currently at their lowest level for a decade - and could yet go lower. "The decline in rates since last November already means that a given

monthly payment can support an 8 per cent larger mortgage debt," Mr Coles said.

■ The Chancellor's Budget deadlines on tax relief have stoked up the mortgage markets at least temporarily. The decision to withdraw tax relief on home improvement loans probably resulted in an extra £500m of building society commitments in March alone.

■ Government housing policies, including the sale of council houses and restrictions on the building of new ones, stimulates interest in owner occupation.

While the supply of mortgage finance is likely to remain strong,

Mr Coles was much less sure that the market will grow as rapidly in the medium term. He foresaw slower economic growth for the British economy at the end of the decade, and a shrinkage in the numbers of people wanting to set up their own households.

"Owner occupation probably has a natural limit, and as it approaches this limit, the rate of growth of mortgage demand may decline."

However, homeowners in the north can take heart. Mr Coles thought it likely that house price inflation in the north of England may well begin to approach and even overtake that of London and the south over the next six to nine months.

In times when the national housing market is depressed, prices go up more slowly than the national average in London and the south east, and the North and the Midlands start to catch up with the south.

Some factors - including the Channel Tunnel and the rise of the financial services sector - which may push prices in the south even further. But Mr Coles found it hard to believe that such large regional differences in house prices can continue indefinitely.

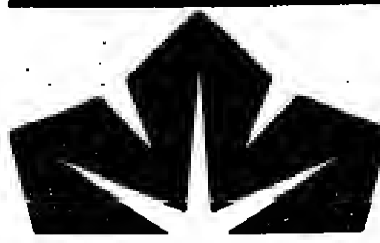
He said that house prices in the north may hit a peak in 1989 when inflation in other parts of the country is starting to subside - much as has happened in the past.

FINANCIAL NEWS FROM B.A.T INDUSTRIES



PATRICK SHEEHY, CHAIRMAN, B.A.T INDUSTRIES, MADE THE FOLLOWING POINTS TO SHAREHOLDERS AT THE ANNUAL GENERAL MEETING ON 2 JUNE 1988:

- * Our first quarter results showed turnover, operating profit and pre-tax profit at constant rates of exchange all attractively ahead of 1987.
- * I must again caution about reading too much into the results of any one quarter, particularly as an indicator of the full year.
- * Exchange rate movements, consumer confidence in the final quarter and the behaviour of investment markets are all factors which can exert influence on the profits for the rest of the year.
- * While I am confident of real improvement in earnings per share and in dividends, the extent of this growth cannot be predicted.



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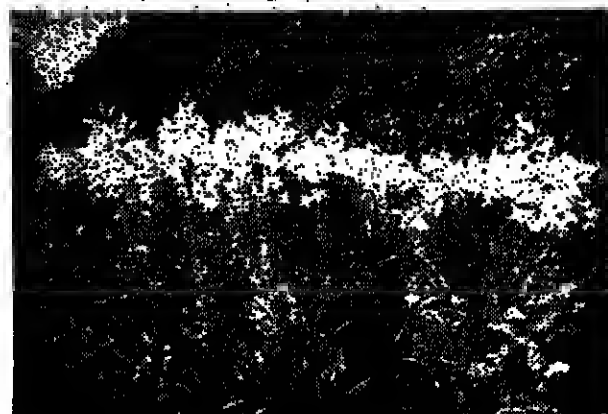
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Make or break time for antique dealers: Antony Thorncroft reports

THIS IS the week which decides whether the leading UK antique dealers can afford to buy their wares a new hat or three this year. The Fairs are in full swing. Olympia opened yesterday. Grosvenor House arrives next Thursday. Running alongside, at the Dorchester, will be the international jamboree of the ceramics freaks. All the world comes to London for the Season in June or so the antique trade fervently prays.

They will have been praying harder than usual in recent weeks. This has not been a very good spring, and it follows on from a pretty dreadful winter. There is no great mystery about the fall-off in sales. There are fewer Americans coming to the UK and, if they do visit, their antique buying is hampered by the lower value of the dollar. In addition Black Monday hit American fortunes harder than British or continental.

So everything depends on the Fairs. Dealer Alistair Sampson, who will be exhibiting at all three, says "The next few weeks are the most crucial of the year. After them I will either be cutting my throat, or the rest of 1988 will be a doddle."

Things are not all bad. British buying is increasing noticeably, as the wealthy slowly realise that the Budget is going to make them considerably wealthier. There seems to be no curbing the fascination for antiques of pop and movie stars. In the last week, Sotheby's has been host to Mick Jagger staking antiquities. Bob Geldof, keen on jewels, and Joan Collins, hunting contemporary art.

Japanese buyers also maintain their interest in western art, especially pictures but, to date, they have little use for English or continental furniture. Even so Norman Adams, the leading furniture dealer, reckons that the last three months have been his best ever, with British and European buying making good any American shortfall.

And the really affluent Americans are still quite unperturbed by temporary financial fluctuations, and are paying handsomely for the increasingly rare top quality pieces. It is the run of the mill antiques, that could be off-loaded on new, less experienced, collectors that have found fewer takers.

As a result more and more dealers have been reduced to taking goods on commission to solve the cash flow problems that have arisen from holding unmarketable stock.

A fantastic picture or rare item



Francis Danby (1793 - 1861): oil on panel, Landscape with children by a brook

Prayers for a brisk season

of furniture entrusted to them by a private seller can bring a sparkle to their shops, but even if they make a sale and pocket a 5 per cent commission it hardly compensates for the thrill, and profit, from unearthing an overlooked treasure at a country sale and releasing it to an admiring world.

The fairs could well inspire new confidence. Olympia, with over three hundred exhibitors, is aimed at the interested man in the street, prepared to pay between £50 to £50,000 for a work of art. It is also for the dealers, and in the first few hours stock changes hands rapidly, with many of the best pieces purchased earmarked for Grosvenor House.

This year Olympia should be looking good. It is being held in the Grand Hall, itself an antique,

dating from 1896. Visitors, admission 24, should be sharp enough to realise that the better dealers huddle upstairs in the gold section where all the objects on offer have been vetted: downstairs, in the silver section, there is more of a Portobello Road free-for-all.

Specialist dealer David Weston, who concentrates on scientific instruments, sums up the mood: "The best objects are going for over higher prices. I suggest that any dealer who manages to sell three items for £2,000 each should upgrade his stock by buying one at £10,000." Like most dealers, Weston sees the major fairs mainly as public relations exercises. You re-establish contact with former customers and meet potential new clients. You also get to see, and to purchase, what other dealers have to offer.

In the main a dealer will

reckon he has done well if he or she sells 25 per cent of the goods on offer at a fair. If a major piece - like the pair of card tables with a Pembroke table en suite on Norman Adams stand at Grosvenor House for sale at £84,000 - finds a buyer, the £10,000 rental looks cheap.

Grosvenor House still represents the British Antique Dealers' Association in all its glory. Most of the 90 exhibitors are its members and there are few foreign dealers, although Bernheimer is appearing this year, and offering a very choice transitional commode bearing the mark RVLG and priced at around £250,000.

Once a dealer gains acceptance at Grosvenor House they very rarely quit. It is the occasion when the British antique trade is in its Sunday best, and host to the world. In the past this has meant mainly the Americans: hence the current nervousness. But American dealers are quite busy so even if the private collectors are less conspicuous there could be good trade buying, perhaps at reduced prices.

The Great Room should look more magnificent than ever since ten of the stands have been subject to a dressing up by top designers like David Hicks and Mrs Moore, in the hope that in future years other exhibitors will make more effort with their presentation.

Perhaps Grosvenor House is rather gross, somewhat too flashy, it is always irritating to see familiar objects bought recently at auction by dealers up for sale at horrendous mark ups, like the four silver wine coolers, two by de Lamerie, over struck by Crespin, and two by Garrard, which Sotheby's sold for Lord Carnarvon for £566,500 a few weeks ago, and which are now available for nearer £1m, making them probably the most expensive items at the Fair.

But they are the best and Grosvenor House always draws out exceptional items. Christopher Wood will be offering "Sick Doll" by Frith, depicting his daughter and remaining in her ownership for many years; it is for sale at £40,000. Bluet has a Chinese blue and white ewer, early 15th century and just the kind of thing that has been commanding high prices. Browse & Darby offers a charcoal drawing by Degas, "Après le bain", and Richard Green, a Boudin beach scene. As ever Charles Lee will turn up on the first day with something to dazzle all and sundry. The dealers will be doing their best: we must wait to see whether the customers play ball.

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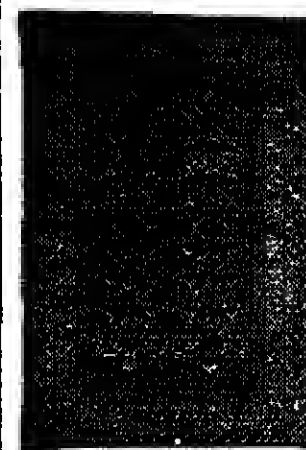
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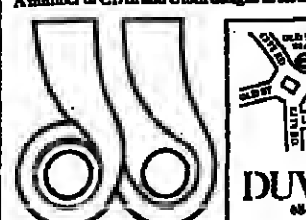
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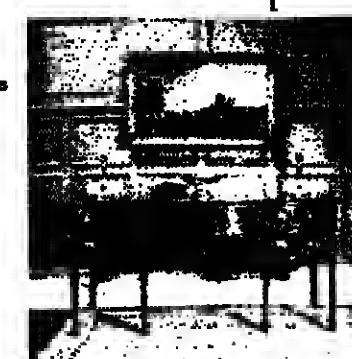


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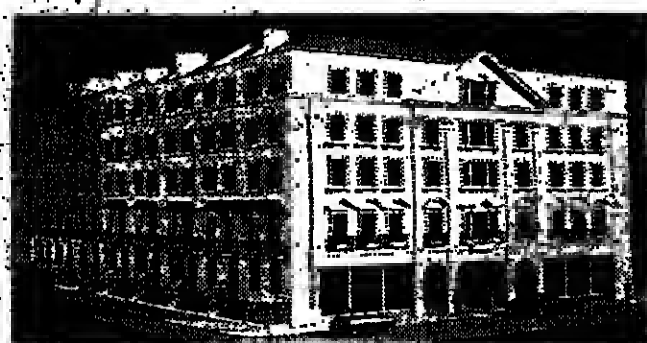
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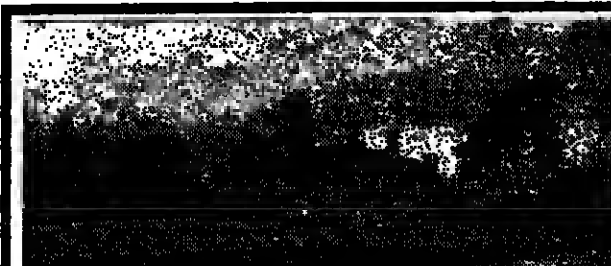
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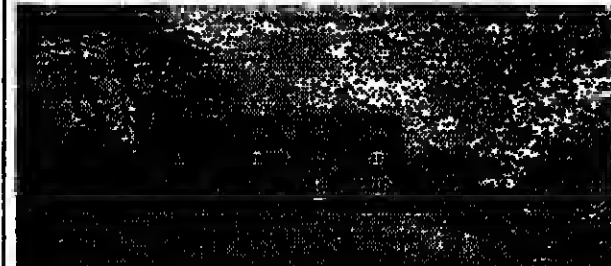
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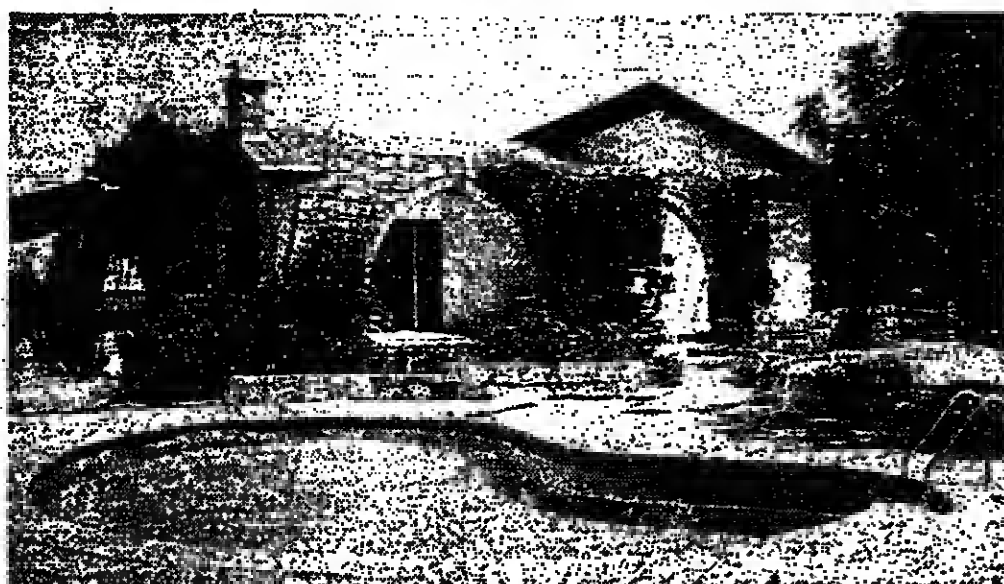
Harriet O'Brien on the lure of Cyprus and John Brennan on an ambitious plan in the Canary Islands

Home from home on an island in the sun

CYPRUS is growing in popularity for holidays and retirement. Loucas Kitrou, marketing and sales manager for development group Cybarco, says: "There are no golf courses and no horse-racing, but the British like it. The cost of living is low, the people are friendly, English is widely spoken and they can really feel at home."

Cyprus does indeed feel very British. English is written, spoken and understood everywhere. Road signs and traffic lights look familiar. There are even two Marks & Spencer stores. All of this is hardly surprising, since the island was governed by the UK from 1878 until it fought its way to become an independent republic in 1960. The tax and legal systems are still based on Britain's and traffic drives on the left. The two British army bases on the island remain sovereign UK territory.

However, these echoes of Britain are set in the eastern Mediterranean at the crossroads between Europe and the Middle East. The climate is dry and sunny and the fairly arid landscape is broken by olive groves, vineyards and the occasional burst of colour from flowering hibiscus and bougainvillea. Then there are the holiday developments, which seem to have driven traditional Cypriot life away from the coastal concrete into the Troodos hills in the centre of the island. The north has been occupied by the Turkish army since 1974. Since this area,



A Cyprus holiday or retirement villa, complete with pool, in the Kamares Village development near Paphos

around 40 per cent of the island, has the best beaches and had the most intensive holiday and tourist developments, tourism moved with the Greek Cypriot refugees to the more heavily industrialised south. Now it is concentrated on the coastal strips around the port of Limassol and further west.

The new Cypriot government elected in February this year, and Turkey's efforts to enter the European Community, have

raised hopes that a settlement over the division will be speeded up. Many developers in the south still own land and property in the Turkish-occupied north, and if this more attractive region becomes readily accessible again the solution of the island's political problem would certainly have an impact on the value of holiday property in the less appealing south.

As it is, the capital, Nicosia, like Berlin, is physically divided;

Greek Cypriots in one part, Turkish Cypriots in the other. The international airport was therefore closed and another developed at the quiet town of Larnaca on the south east coast. That has subsequently become something of a holiday resort, although its attraction is one of convenience rather than beauty. Recent building regulations have put a stop to the appearance of any more apartment blocks. However, flats are still available along the beach

and at the Castella Court development prices range from around £31,900 (£27,100) to £64,400 (£54,700).

Along the coast at Limassol, new five-star holiday developments have been built near the marina, where the Sheraton recently opened and where the Hyatt hotel will be fully operational by 1989. Beach apartments and bungalows with access to hotel facilities are available at the Hyatt hotel complex and at the Amathusia hotel. Prices at the Amathusia beach apartments are in the region of £28,800 (£24,500) to £27,800 (£24,500) for a two-bedroom villa with terraced garden.

Further information on properties in Cyprus is available from Angela St Clair-Clarke at Prudential Property Services International, Davison (Tel 01-837-7244) or Anthony Lohr at Associated Chartered Surveyors in Nicosia, Tel Nicosia 461-661.

When considering buying property in Cyprus it is worth bearing in mind certain legal constraints. Foreigners are allowed to buy only one property or land enough for one property, about 2,500 sq metres. They are not allowed to use their property for commercial purposes, which means that buying a property to rent out for a profit over the holiday season is not strictly legal, although that does not seem to stop the rental market. When reselling, foreigners do not have to pay capital gains tax, but they can take out of the country only the original

amount used to purchase the property. Any profit can be taken out of the country only at a rate of £5,000 (£5,880) a year.

It is also worth taking account of the amount of holiday developments currently being built; would the property be part of a building site for the next few years and how would all the new building affect the resale value?

Living in Cyprus is reasonably cheap and easy; income from abroad is normally taxed at an effective rate of 5 per cent per annum. According to one British resident a retired person could live quite happily on a pension of about £5,000 a year.

British Airways and Cyprus Airways fly direct to Cyprus daily from Heathrow. Flying time is about four and a half hours. Within Cyprus, transport is relatively cheap and easy, distances are not great and taxis and buses travel frequently between the major towns. Larnaca remains the chief international airport, although a new airport has recently been opened at Paphos. In a bid to keep the holiday and tourist industry fairly upmarket, charter flights have been kept to a minimum, and the Cypriots are extremely anxious to avoid the sort of tourism that has developed in parts of Greece and Spain.

For further information about flights and holidays in Cyprus, contact the Cyprus Tourist Office, 213 Regent Street, London W1 (Tel 01-734-8822).

Canaries sing the praises of 'holiday village'

A FOUR-STAR holiday resort, claimed to be the biggest of its kind in Europe, is to be built on Fuerteventura in the Canary Islands. The Puerto Ventura project, with a total of 9,000 beds, is planned to open at the end of 1991 after investment of some £200m.

The development, 11 miles from the island's airport at Puerto del Rosario, will take the form of an Iberian-style seaside village. Construction will begin next spring. There will be 1,300 apartments of various sizes, in houses of two to 3 1/2 stories, as well as three hotels with a combined 894 rooms. Of the 9,000 beds, as many as 2,000 will be in a residential colony for resort employees.

The village will also include a marina with a yacht club and 300 berths, parking facilities for 1,250 vehicles, a church and a cultural centre together with restaurants, shops and discotheques. Two new beaches will be laid out, while sporting facilities - to be planned by Club Intersport, of Switzerland - will include water-skiing, diving, tennis, mini-golf, bowling and squash.

The man behind the development is Swiss promoter Werner Bleiker, a former carpenter who has over the past 20 years built one of his country's leading construction groups. Its contracts have ranged from shopping centres and housing estates to a business centre at Zurich airport



and a new, deluxe retirement colony in Lugano. The contractor for the Canaries resort - the most important Swiss-backed foreign tourist project - is Bleiker's Zurich-based company, Alpha Generalunter-

not faced with opposition from local people, as the Fuerteventura authorities are giving active support to the scheme. He aims for what he calls "soft and harmonious tourism", combining Swiss quality standards with Spanish cultural and architectural concepts.

The site for Puerto Ventura now is an expanse of sand while a number of squatters' huts are being cleared away in a "more or less friendly manner". Financing of the project will be provided to about one-third by equity capital with the rest coming in loans from European banks. Investors will be sought in Britain, Germany, Scandinavia and Spain itself, but Bleiker intends to retain a substantial

stake and control over the project.

Costs for tourists are put at about £75 a night, and a coupon system will allow visitors to take their pick of a range of restaurants in Puerto Ventura rather than being bound to a specific hotel.

Bleiker is expecting tourists from all over the world. In fact, 1992 - the first full year of operation for Puerto Ventura - is one in which Spain will be going all out to promote tourism in connection with the 500th anniversary celebrations marking the discovery of America by Christopher Columbus. The country also will host the Barcelona Olympics and the world athletic championships.

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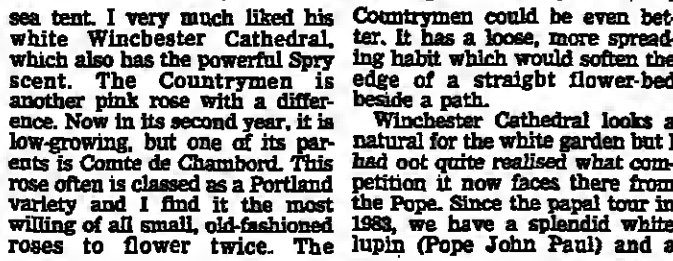
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Healthy hybrids prove a growth industry

leave the nursery of the breeder or his chosen producers, the F1 technique provides the breeder with a built-in copyright which is independent of the law. This in turn makes it possible for the breeder to produce on quite a scale, since each parent seed will produce a plant able to produce hundreds or even thousands of seeds according to its type and this bulking-up for sale can be

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Who said there was nothing to

ria might at least get some hanging baskets.

Lawrence Garner

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BOOKS

Anthony Curtis on a reappraisal
of a tempestuous literary life

Pound revalued

A SERIOUS CHARACTER: THE LIFE
OF EZRA POUND
by Humphrey Carpenter. Faber & Faber.
£20.00, 1,106 pages

READERS OF last Saturday's *Weekend FT* will have seen an extract from this huge biography of Ezra Pound, relating to his early years in Europe when his then protégé and fellow American expatriate, T.S. Eliot, was writing *The Waste Land*. That episode, whereby he earned the undying gratitude of Eliot for persuading him that the original text needed cutting by about half before it was published, falls into place as one small brick in the massive pile constructed with exemplary assistance by Humphrey Carpenter, already much respected as a biographer for his lives of Tolkien and his friends.

As a thrusting young man from Pennsylvania, who had acquired, while at Penn State University, a passionate interest in the poetry of the troubadours, and a burning sense of the unity of European culture, Pound acted in London and Paris as adviser and promoter for various poetry magazines. He possessed a keen flair for fresh talent; he recognised the genius of both Eliot and Joyce before either was well-known.

But if Pound was quick to see what needed cutting in other people's stuff it never seems to have dawned on him that his own might also benefit from curtailment. Pound's voluminous work contains much that is impenetrable; dense thickets of verbiage in both verse and in his own eccentric prose. This last was designed to catch the tone of Pound's speaking voice, through joke spelling, broken sentences and a heavy use of the / sign as the chief punctuation mark.

The main repository of his verse was a series of *Cantos*, written throughout much of Pound's adult life, and meant ultimately to be read as a continuous whole. Different sections appeared at different times with long intervals in between. Each is structured around the figure of a heroic individual taken from Chinese, Italian or American history.

The tone is intransigent; the typographical arrangement and layout, short, broken, unjustified lines in uneven alignment, among other projects, his

moderation from the personal to the historical with deliberately bewildering speed. Here, and in his earlier, shorter poems, of which *Hugh Selwyn Mauberley*, a sardonic account of London literary life, and *Homage to Sextus Propertius*, are the most important, Pound performed the prosodic revolution of "breaking the pentameter," the basic unit of English verse, and replacing it with lines whose rhythm was to be discerned as much by the reader's eye as his ear. These on-going free verse paragraphs do, it must be said, contain a proportion of lines of the most haunting beauty, embedded in a packaging of Chinese calligraphy and obscure phrases in Greek, Latin, Provençal, medieval Italian, and other tongues both living and dead, together with a consistent rhetoric of hatred directed against users ("Pound's habitual code-word for Jews").

The poetry is thus defiled by some of the most obscene anti-semitism to have reached the printed page outside of Nazi Germany. Pound, who lived as a permanent resident in Italy up to and during World War Two, gave wholehearted support to the Fascist cause, making, at his own request to the Italian Propaganda Ministry, a series of wartime broadcasts to America from Rome, delivered as coming from "Old Ex" in a hill-billy accent. One of his models was Father Coughlin, who had done a great deal to stir up hatred in his Fireside chats on radio in America before the war. Another broadcasting admiration of Pound's was "Lord Haw Haw", to whom he wrote several friendly letters praising his work, one of which ended "Heil (sic) Hitler".

Carpenter leaves one in no doubt as to the style and content of Pound's own broadcasts. They were poisonous. At the end of the war when the American army moved into Italy, Pound was taken into custody and the awkward question arose of what to do with him. Was he guilty of treason, or had he merely been exercising his right to freedom of speech in exceptional circumstances? The trial of Pound which would have answered this question was never held. The only courts which Pound attended were ones to determine whether



Head of Pound - a drawing by Gaudier-Brzeska

he was in a fit mental condition to stand trial.

Carpenter reveals the complexity between both doctors and lawyers on both sides which resulted in a verdict that he was of unsound mind, and therefore could neither be acquitted nor declared guilty. Instead he remained for more than a decade as the most celebrated inmate of St Elizabeths Hospital, south-east Washington DC. The original function of the hospital was to care for the insane of the US armed forces as well as for civilian patients.

Inevitably in this, the last of many roles Pound played, that of a modern King Lear, all one's sympathy goes out to him. He accepted his incarceration with the same energetic fortitude with which he had reacted to all the other vicissitudes of his embattled life. Fairly soon it was back to the writing desk and business as usual; his capacity for work was indomitable.

When at last he was released, on a legal technicality, he had a grown-up son by his wife Dorothy (née Shakespeare) and a grown-up daughter by his long-standing mistress, Olga Rudge. Pound was faced

by the dilemma of which of these two loyal and devoted women to live with in Italy. For the first years of his new freedom he went to Dorothy, but in his last illness he rejoined Olga, who stayed with him to the end. Their daughter, now Mary de Rachewiltz, has spoken about her father and we see the ménage from her viewpoint, from time to time illuminating Carpenter's narrative.

In his extreme old age Pound attracted many visitors, among them the Jewish poet Allen Ginsberg, who played him Beatles records. In the course of their conversation Pound is reported to have said: "Any good I've done has been spoiled by bad intentions - the preoccupation with irrelevant and stupid things... But the worst mistake I made was that stupid suburban prejudice of anti-Semitism."

Armed with this absorbing, sensitive, fully documented and completely honest biography, we can for the first time see Pound for what he was and make up our own minds about him. He emerges as a heroic figure, even if it is at times the heroism of Satan.

Justin Wintle on a new perspective of the life of
the controversial father of psychoanalysis

A complex humanist

FREUD: A LIFE FOR OUR TIME
by Peter Gay. Dent, £16.95, 810
pages

FREUD IN EXILE
edited by Edward Timms and
Naomi Segal. Yale U.P. £26.00, 810
pages

SOME WHILE ago, in the preface to my *Makers of Modern Culture*, I hazarded a definition of culture as being "how we see ourselves, and how we see each other." Although such a formula now appears blandly makeshift it at least had the advantage of depicting Sigmund Freud at the centre of things, while neatly avoiding the issues that surround him. Freud in the 1980s has proved every bit as controversial as he was throughout his adult professional life. The enduring light on his reputation has been the claims he and his followers made for psychoanalysis as a science. Psychoanalysis in its essence sets out to name invisibles: it is a system founded upon a putative understanding of how such abstracts as traumas, neuroses, complexes and drives interact behind the boundary wall separating the conscious from the unconscious. In recent years a succession of heavyweight analysts, among them Hans Eysenck, Adolf Grünbaum and most pathologically, Ernest Gellner, have amply demonstrated that, subjected to current criteria of scientificity, Freudianism fails.

In light of this it is better perhaps to see Freud as a great humanist - an assessment that finds substantial, if unintended, corroboration in *Freud*, the new and massive biography by Peter Gay.

Gay is Freud's man through and through, but in a very penetrating sense. Himself trained in psychoanalysis, Gay accepts the science label without apparent notoriety. Yet just because Gay so firmly embraces his subject his study is anything but uncritical. Indeed, to a very large extent he turns the tables on Freud, submitting him, the father of analysis, to his own analytical procedures.

Thus Freud's legendary disputes and fallings-out with the ablest of his disciples - Adler, Jung, Rank - are perceived through the template of his earlier traumatic relationship with Wilhelm Fliess, his friend and confidant of the 1890s, to whom he imparted his revolutionary findings more or less as they occurred.

Fliess, a nose and throat specialist, was something of a medical eccentric, and Freud's subsequent enmity seems to have sprung in part from a paranoia lest he be tarred with the same



Freud with daughter Anna in the Dolomites, 1912

brush. Also associated with Fliess was a notable theoretical failure. Before he was adumbrated the Oedipus Complex, Freud put forward a much cruder thesis: that all neuroses are the product of actual childhood seduction.

The Viennese establishment rightly rejected this manoeuvre out of hand, and it was partly in response to their rebuttal that Freud elaborated a far more sophisticated programme. Tied in with his revision was his concept of latent homosexuality, and his feelings for Fliess, for a while, served as a "proof."

As Gay shows, Freud was committed to revision throughout his life; but he wanted the revisions to be his. When Adler, Jung and Rank indicated that such work might more profitably be carried out by others, the Master reminded of his previous fallibility, abreacted. Hence the supposedly "authoritarian" trait in his makeup, which Gay dilutes by presenting Freud as a loving parent and uncommonly generous friend.

But what he actually demonstrates, inadvertently is that the field Freud opened up to inquiry, principally by focusing attention on the Unconscious, was necessarily larger than even its Promethean founder could hope to chart. There have always been many critics of Freud inside psychoanalysis as there have been outside it.

Even a loyal follower such as Gay is compelled to play games with the father. And there are many games to be played. Freud, perennially fascinated by the figure of Moses, enjoyed laying

down laws. For instance, he forbade analysts to befriend their analysands or to analyse members of their own immediate families. Yet Freud himself broke both these rules. He invited at least one of his analysands to dinner, and he analysed his daughter Anna.

Gay declares at the outset that he has tried "to be accurate rather than startling," but with revelations such as these it is hard to concur. Even then, perhaps, is the hallmark of Freud's humanism: the truly startling always is secreted among the details.

In short, Gay succeeds admirably in showing to the reader just who and what it is that has caused all the furor: his patient blockbuster of a biography, inscrutably researched and highly informed in the history of middle Europe, certainly deserves to be the standard introduction at least until the year 2002, when the family papers will be released from their long captivity.

Such praise cannot be lavished on *Freud in Exile*, a ragbag of symposium papers edited by Edward Timms and Naomi Segal. More than 20 scholars, half of whom have trained in psychoanalysis, offer interim thoughts on topics ranging from Freud's Library and His Private Reading to The Significance of the Freud Museum. There is even room for a tactically muted address by Gellner. Almost by default some of the essays interest. The best section by far is five pieces on the problems of translating Freud.

Travel stuff and nonsense

EDWARD LEAR: SELECTED
LETTERS
edited by Vivien Noakes. Oxford
University Press. £19.50, 325
pages.

ONE OF the dominant themes of Edward Lear's letters is his love of travel. His decision to spend long periods of his life in Italy and Corsica - and to pay extended visits to a number of more exotic locations - was partly motivated by worries about his health: Lear suffered from epilepsy, failing eyesight and a general susceptibility to illness. The beneficial effect of a warm climate and agreeable surroundings, and complaints bitterly of the "profoundly horrible & filthy" existence imposed by the English winter.

Lear's travels, moreover, played an essential part in his work as a landscape painter. After an early career in zoological illustration, he developed a strong interest in natural scenery during the mid-1850s, at the age of 23, and began to produce both topographical paintings and illustrated travel books. His letters

discuss, among other projects, his

elaborations of existing "Sketches from Nature," adapted to correspond with the "landscape, lines & feelings" of Tennyson's poetry.

The letters also consider the problems posed by the representation of particular spots: the difficulty of finding a view of Jerusalem which provides sufficient "picturesque interest" at sunset, for example, and the need to preserve the "so much & quiet" appropriate to the antique character of Athens.

In his plans to visit new places, Lear was constantly hampered by a lack of money: while enthusiastically planning a visit to Greece in 1861, he nonetheless remarks wistfully: "If I could get a lot of spontaneous tumblers, I might have answered this question."

Twelve years later, the painter did in fact visit both Ceylon and India.

After buying land in order to build a villa in San Remo, he laments: "As I have sold no drawings this winter & have no commissions ahead, I shall endeavour to live upon little figs in summertime, & on Worms in the winter." Lear began to publish his nonsense writings in the 1840s, and devoted much more attention to them later in his life. His letters are often inventively nonsensical: he observes, at San Remo, that "my only remaining fig tree was accidentally smashed by a lad with a ladder, so that figuratively speaking I now cut a figless figure."

The painter's accounts of his nomadic existence are immensely



Philaes - from an oil painting by Lear, 1854

enjoyable to read and sometimes very moving: they provide glimpses of his gentle and affectionate disposition, and of his struggles against loneliness and melancholy. Many of the letters contain thumb-nail sketches of landscapes, and wryly comical drawings of Lear himself. The delights of this limited selection emphasise all the more clearly the need for a complete edition of his correspondence.

Edward Lear died 100 years

ago, in January 1888. On Monday at 6.15 pm, a tablet to commemorate him will be unveiled in Poet's Corner, Westminster Abbey, followed by readings from his poetry, and songs. An exhibition of his paintings, letters and books will be on view at the Fine Art Society, 148 New Bond Street, from Monday to July 1, and at Sheffield City Art Gallery from July 8 to August 7.

Chloe Chard

A very personal war

WHEN THE FIGHTING IS OVER: A personal story of the battle for the Falkland Islands and the aftermath
by John Lawrence and Robert Lawrence. Bloomsbury. £12.95, 396 pages.

JUST WHEN we all thought that the Falklands war was dead, here we are again six years later with a book that, thanks to much conscious as well as unconscious pre-publication publicity about a certain BBC film drama on the same subject, seems destined for the best-seller lists.

The first thing that needs to be said about *When the Fighting is Over* is that it is not a particularly well-written book. With the exception of the late naval Lt David Timmer's moving, posthumous letters and diaries, the written account of the Falklands war on the British side has been left to journalists, academics, and, as in this latest work, by Lt Robert Lawrence and his father, retired Wing-Commander John Lawrence, military minds with limited artistic potential.

And yet, clearly, the hundreds of people who will wish to read *When the Fighting is Over* will be unlikely to be motivated by the pursuit of art. Instead they will be anxious to know just what it was that got the Ministry of Defence, the regiment of Scots Guards, Conservative MPs, and most of the British media into such a tiz. A TV film drama is here one day and gone the next - but a book lingers in the shops.

Both prior and during the war, Lt Lawrence seemed to play the kind of role an Army recruitment office would be proud of. He was the public school boy who, rather than enter a university degree,

did so after voluntarily submitting himself to a gruelling selection test.

After the tough initial course, Lawrence was put through some riot training with Gurkhas wielding baseball bats and pretending to be Irishmen. Then came Kenya, jungle training in Asia, parading outside Buckingham Palace and, inevitably, Northern Ireland, where a very unpleasant "place" where "a lot of unpleasant things happened."

Like a good soldier Lt Lawrence doesn't tell us what unpleasantness he is referring to, but he leaves his mother with a disconcerting, "As I have told her he tells her: 'I'm a trained killer, you know, every bit as good as these Marines and Paras.'"

Had Lt Lawrence's diary continued in this vein, it is doubtful whether it would have made much of a stir. What changed things was the day just before the end of the Falklands War when Lt Lawrence had half his head blown off by a high velocity bullet as he led an attack on the Argentines, who were encamped on a small mountain overlooking Port Stanley. It left Lawrence with severe hemiplegia of the left-hand side and related nervous and physical disorders, but with a recovery that, judging by the gruesome colour photographs of his operation, is little short of miraculous.

The bland official Army version of the event that changed Lt Lawrence's life - and that of practically anyone, including his father, who knew him well - appeared in the *London Gazette*. The account was the kind that earns a soldier like Lt Lawrence a Military Cross, and it did. Leading his men from the front, under intense cross-fire, his actions were an outstanding example of leadership under fire and courage

in the face of the enemy."

Lawrence's account of the same event as it appears in his diary turns into a Falklands into a very unpleasant place. Eventually Lawrence claims to become a victim himself - not of the Argentines, who are mentioned briefly and inaccurately - but of his own people.

The picture Lt Lawrence paints of the humbling bureaucracy, the misuse of funds, and the heartlessness of the whole military machinery which greets the returning injured of the war has been openly challenged by those most heavily criticised. Lt Lawrence seemed to have a sense of the kind of controversy that would be generated by his deepening criticism of the structures that produced him. Towards the end of the book he writes:

"I will have no doubt, be accused of being bitter. I am. Not bitter about the war, the injury, or even my disability, but bitter about the pretence of real care and above all about the small-mindedness which stops us changing as a society or race."

Unlike the BBC film drama - which, according to its director, is "not an objective record of facts" but an artistic portrayal of the "royage of people's feelings" - this book either stands on its facts or it should not be allowed to stand at all. If the message is that war, wherever and whenever people fight it, is a nasty business, then it has been written about - and more convincingly - by others. What would be said if the controversy generated by Lt Lawrence's story succeeded only in obscuring in the public mind the record of one particular war in which there were heroes as well as victims.

Jimmy Burns

Under the skin of Latin America

LATIN AMERICANS
by Hugh O'Shaughnessy. BBC
books. £11.95, 142 pages

IN THE very best sense Hugh O'Shaughnessy has written an ideal airport book about Latin America. For the uninitiated setting off towards this vast and little understood continent, his slim tome provides a lively introduction; and for those jaded by constant trips and depressed by the Latin Americans' inability to realise their potential, his mix of anecdote, history and commentary are a welcome freshener.

There is a freshness which seems to say "come and understand Latin America and the Latin Americans." Very quickly O'Shaughnessy manages to cover a great deal of ground, from the unifying factors of culture and history, through to the role of the military, the position of Indians

and blacks in society and the impact of the Church.

In fact the ground is covered so quickly that, at times, he is far too selective. Perhaps this is an inevitable consequence of the book being produced to accompany a BBC series of radio talks, starting on May 28; nothing general on Latin America, outside travel hand-books and reference works, has been published since the 1960s when Castro and Che Guevara were the vogue.

As he admits in a preface, O'Shaughnessy is an unashamed enthusiast for the region, having written about Latin America as a journalist for more than 25 years (much of that for the *Financial Times*). There should be plenty of scope to pour this enthusiasm and experience into another, more thorough book.

Robert Graham

An ace in the hole by Evans

PLAYING THE WILD CARD
by Philip Evans. Hodder & Stoughton. £10.95, 256 pages.

PLAYING THE Wild Card is something to be celebrated, for two reasons.

First, it is a crisp drama in the

Dick Francis mould, set in the pressurised world of Italian football. Much *grappa al limone*, two memorable poker games, a dash of Sardinian passion and some fierce, well-earned credits indeed to Bobby Robson and Brian Glanville.

Second, the book is by Philip Evans, who is a personal friend: his life was changed by a motor accident 13 years ago, which left him in a coma for months and a hospital for years.

For Evans, and for the people who helped to put him together again, the book represents an extraordinary achievement.

Richard Lambert

Fiction

Our man in Thurmarsh

PRATT OF THE ARGUS
by David Nobbs. Methuen. £10.95, 384 pages

THE LANDS OF THE SEA
by Edwin Mullins. Collins. £10.95, 416 pages

LILI
by Marcelle Bernstein. Gollancz. £11.95, 331 pages

MOONRISE, MOONSET
by Tadeusz Konwicki, translated by Richard Lourie.
Faber & Faber. £11.95, 344 pages

PRATT OF THE Argus is not perhaps the most promising title in the world, but it does more or less sum up this second volume in the life of Henry Pratt, that most malodorous of young men, first encountered in *Second from Last in the South Seas*. He has grown up now, and is making his way as a reporter on the *Thurmarsh Evening Argus*. The year is 1956, and since the author was himself a provincial journalist in the 1950s we may take it he knows what he is talking about.

Fat, immature, sexually ambitious, Henry sits in the pub with the other reporters, longing for a scoop that he can call his own. He gets his chance one night when he happens to be at the police station at the same time as an emergency breaks out. Since he is under arrest though, on a charge of being drunk and disorderly, he seizes the opportunity to slip away unnoticed, thus missing the front page lead in every Fleet Street paper next morning: "Four shot dead in Thurmarsh pub massacre." It is the story of his life.

Nor is he any more successful with women. They seem to slip away from him somehow, even when he does manage to get them into bed. Henry is a likeable fellow, but not one of nature's winners. He is nicely set up for a situation comedy, and indeed David Nobbs milks every situation for what it is worth - rather more sometimes. On balance though, Henry may yet take his place in the nation's affections alongside the author's other

creation, Reginald Perrin.

The Lands of the Sea by Edwin Mullins is intended to be not so much a sequel to his earlier book, *The Golden Bird*, as a mirror image. The leading character in *The Golden Bird* was a master-mason in 10th century Anjou, doing for the beginning of the Age of Chivalry what the hero of this later book does for the end.

We are in the 15th century this time, and the hero is loosely based on Jan van Eyck, First Painter to the court of Burgundy - a device which allows the author plenty of scope for action in the closing stages of the Hundred Years War.

Unfortunately though, he does not make as much of it as he might. He writes very well, but somehow fails to make the story come alive. There is not enough drama in the narrative, not enough passion. There is plenty to enjoy in the book, but those who prefer the rough and tumble of swordplay might prefer to go back to the earlier book instead.

Marcelle Bernstein's *Lili* is involved in rough and tumble of a different kind. She is an exotic dancer carving a swathe through music halls and high society in the early years of this century. Born in London to a Jewish family, she has put a disastrous marriage behind her and is trading the boards, partly because she needs the money, mostly because she feels it is what she was meant to do.

It is in New York that she makes her name. Booked to appear at a private party, she dances almost naked and becomes notorious overnight. The newspapers pick her up, the men follow. Some of them will do anything for her, even kill themselves - a situation which Lili accepts blithely, while privately thinking of herself as little more than a tart. She is a plausible creation, modelled to some extent on the dancer Margaret Morris. The book however is a little flat in places, and might have lost 100 pages without mishap.

It is difficult to know what to make of Tadeusz Konwicki's *Moonrise, Moonset*. The publishers are calling it "a life-novel -

Nicholas Best

HONG KONG SECURITIES REVIEW

The Report of the Committee set up by the Government of Hong Kong under the chairmanship of Mr. Ian Hay, Director, following the events of last October is now available for sale, price £15 plus postage and packing.

Enquiries to: The Librarian, Hong Kong Government Office, 10, Queen's Street, London, W1A 3JL (Tel: 01-499 0821)

Personal

ST. JOSEPH'S HOSPICE

MARE ST. JOSEPH'S HSA.
(Charity Ref. No. 251323)

"Her final days, you were among the kindest of her life. Your gentle skills convert the dismal business of dying into an art-form."

These poignant words from a bereaved husband are echoed again and again by grateful families.

They are quoted here in thanksgiving to you for the kind support on which our care depends.

Sister Superior

DIVERSIONS

All blown up to a great proportion

IT MIGHT be tempting the fates for a newspaper to sponsor a hot air balloon but that is exactly what the Financial Times has done to promote its centenary celebrations.

Hot air balloons are being used increasingly by major companies to advertise themselves and their products although the idea of advertising with balloons might seem unlikely.

For a start, you can't steer them. The basic equipment is hardly different from that which the brothers Montgolfier developed two centuries ago and balloons are just as weather-dependent as ever they were. It is unusual for a launch to be made when wind speed exceeds ten miles per hour or so and gusty or unstable conditions are avoided completely.

The British climate allows the possibility of flying on 200 days in the year but many of these are only briefly suitable. In summer, the danger of thermals frequently renders an otherwise perfect day unusable after mid-morning. Hardly ideal parameters for a commercial operation.

Nevertheless, the balloon advertising industry, like the sport, continues to grow. "People can't resist looking up into the sky," says James Money-Kyrle of Sky High Balloons, "where something utterly romantic about these huge, silent shapes drifting wherever the wind takes them. And if you are on the ground, you can't help wanting to be up there too." Money-Kyrle's assessment cannot be far wrong, given that new balloons are coming on to the British register (which currently lists 736 of them) at a rate of approximately a 100 a year.

Hot air ballooning was revived in this country in the late 1960s, thanks to the US Navy which used balloons for meteorological research. From these unlikely beginnings has emerged what was, in 1987, according to the Sports Council of Great Britain, the nation's fastest growing sport. Not that it is yet very large; there are probably no more than 150 "hard-core" pilots in the land. There are perhaps twice that number of occasional flyers.

There is more to ballooning than simply climbing aboard with a few friends. There is the matter of flight planning to consider for a start. This is not easy, given that the sole determinant is wind direction, which may change at any moment.

"Whatever precautions you take," says Money-Kyrle, "you are bound to end up in places you don't want to be, from time to time. Livestock and people can be a major problem." He recalls a four-page complaint filed against him by a lady who claimed that he was flying so low that he brushed through her azaleas. "But," he continues, "I've found that you can at least do a lot to pacify animals, especially sheep, by talking to them as you fly overhead. It may sound ridiculous but it works."

The fact that ballooning is such an unpredictable pursuit causes many people to believe that it is unregulated. "That's not the case," says Money-Kyrle. "A balloon pilot undergoes medical examinations just like any other pilot, along with written exams

in air law, meteorology, navigation and airframes. He is no less subject to the rules of the air than a jumbo pilot."

Britain's two principal manufacturers of balloons are Cameron Balloons in Bristol and Thunder and Colt. Between them, they build about 500 balloons a year, of which about 400 are exported. "In terms of aircraft deliveries, that makes us the two largest aircraft manufacturers in the country," says Colt marketing director Chris Kirby. With his company's turnover running at £3.2m last year, showing an 800,000 profit, it is clear that this apparently obscure enterprise is also one of the more profitable sectors of the aviation industry.

Per Lindstrom, the Swedish-born company managing director of Colt and Thunder, was mastermind and co-pilot of Richard Branson's celebrated transatlantic flight. He refers to it as nothing more than "Thirty two hours of sitting in a tin can."

This penchant for understatement is reflected in company policy. "We never make anything

Sky-high prospects:
Alexander Norman
explains why hot air
ballooning is
increasingly popular
both as a sport and
as an advertising
medium

unless we have sold it first," he explains. "That way we can't go far wrong even though sometimes we might go a bit wrong." The philosophy is extended even to new projects. The entire first batch of eight miniature balloons now being built has already been sold. Likewise, the three conventional airships that the company is building for Wren Skyships represent a simple sub-contracting arrangement.

Although rendered somewhat unfashionable by several extremely public disasters between the wars, airships are making a comeback. Alan Bond's Airship Industries has become a household name. So given the crossover in technology, it is unsurprising to learn that Thunder and Colt is moving in this direction. "We shall not move away from balloon manufacture, but airships represent a new avenue for us to explore. They are certainly the way forward for advertisers," says Lindstrom.

Since the late 1970s, aerial advertising with balloons has grown from unpretentious beginnings to a multi-million pound industry. Originally, private owners sought nothing more than company sponsorship to help offset some of their operating costs. Of course, it was not long before someone realised that this idea was the basis of something far greater than any casual agreement. With a working capital of precisely £500, Tessa Tennant and Colin Prescott set up the Hot Air Ballooning Company back in 1977. "Needless to say, everybody told us we were mad," recalls Tessa. Today, the company is the

largest operator of advertising balloons in the world, last year turning over £300,000 and the balloon advertising operation is a subsidiary of the international group which grew from it. The parent company, Flying Pictures, has Sir Michael Edwardes as chairman and has offices in London, Sydney and Los Angeles.

Like Thunder and Colt, Flying Pictures sees a big future in miniature (two-person) airships. "They offer the perfect solution to the problem of maintaining exposure over a given area," says Mike Smith, marketing director. But while airships have the advantage of controllability, they preclude (at least for the moment), the use of a "special shape." Custom-built balloons, such as the Financial Times' newspaper design, have a unique capacity for attracting publicity.

Last year, the Austrian artist André Heller was commissioned by the city of Vienna to produce a publicity exercise. He chose balloon advertising as the appropriate medium and in conjunction with Thunder and Colt he designed three surreal shapes: a crescent moon, a dragon flew and a UFO. When they flew in Europe, they were seen by an estimated 150m people, thanks to television coverage.

The number of companies using balloons for advertising continues to grow. "It is the last uncluttered medium," explains Smith. "And there's plenty of room for further expansion. We'll be billionaires if it ever reaches saturation point."

Nell Lawrence, head of PR at Bayer UK, with responsibility for the Alka Seltzer balloon, is in no doubt of its efficiency. "It's a highly effective means of enhancing consumer imagery and perception of a product." Typically, a company like Bayer will spend about £100,000 on a three-year contract. This should yield something like 150 flights, during which Alka Seltzer is getting maximum possible exposure by planning each flight as a media event. Last year, the Alka Seltzer balloon was featured continuously for 15 minutes on the Late Late Breakfast Show. "A cup like that pays for the whole project in one go," maintains Lawrence.

Not all balloon advertising organisations are as large as Flying Pictures. Companies like James Money-Kyrle's Sky High Balloons have far smaller portfolios than Flying Pictures' (including three airships). Further down the scale are one-man, one-balloon outfits, such as that of Peter Mason who is responsible for the Financial Times campaign. The advantage of a private pilot is total dedication to the one project. (During the course of the centenary year a flying tour of Europe and two visits to the United States are planned, so he will be kept busy.)

Although there is no commercial balloon pilot's licence, the Civil Aviation Authority has plans to introduce one. This will enable operators to offer flights to fee-paying customers. This represents a considerable new opportunity, especially since manufacturers have developed large passenger-carrying models. Money-Kyrle plans to move into this market as soon as possible. "People are always asking for rides.

THE Environmental Health Officer gets a call. A company has moved recently into a new office building and already the place is infested. Staff, often women in a computer room or at a switchboard, are being bitten. They itch, and scratch, and have the itch to move. Can the EHO do something, please?

The entomologist — for the accused usually is an insect — talks to the staff and makes an exhaustive search. Swabs of desks and furniture go for analysis. Clean bags are fitted to the vacuum cleaners and their contents are examined at length. The EHO searches the building, looking for any signs of unwelcome animal life.

The staff search, too, and as every building does in fact harbour its share of insects, soon gather a large and diverse collection; this also has to be checked. With luck, a culprit emerges. The rest of the job is then easy. In the words of Ron Hutchinson, Senior



What's pink and full of hot air? The FT balloon

They see ballooning as an adventure — which it certainly is.

The degree of adventure can sometimes rise to unacceptable proportions, even though ballooning is not, at least statistically, a dangerous pursuit. Robin Batchelor, chief pilot at Flying Pictures and erstwhile instructor to Richard Branson, recalls a number of "chicken incidents." "I've been in a hornet's nest in Brazil, suffered oxygen starvation flying over the Eliger and once only narrowly missed crash landing in the tiger pen at Bristol Zoo." Ballooning is, he admits, something of an eccentric sport. A badge supplied by an American equipment supplier bears the legend "Don't tell my mother I'm a balloonist. She thinks I'm the piano player in a warehouse."

Itches, scratches, bites and bugs

Environmental Health Officer with Chester City Council, "locate the source of the trouble and carry out a treatment."

Often, however, that is not how things work out. "The possibility of finding any insect or mite responsible for the outbreak is, to say the least, remote," says Hutchinson. "What you have on your hands is the 'cable bug'."

Cable bugs were born in the telephone exchanges of old, where the operators seemed particularly prone to "bites" as they sat at their switchboards. The itch is real enough, and it does not take long to spread from one worker to the rest. "It is very contagious," says Bill Simpson, regional wildlife and storage biologist with the Ministry of Agriculture, Fisheries and Food in Wolverhampton.

The contagion is all in the mind, though; certainly, no pests

are responsible. In the old days, switchboard lines were covered with fabric that gave off minute particles. These could easily have irritated the skin. Today, cables are made of plastic and are sealed, and most switchboards do not have them. However, modern hard-wearing synthetic carpets also shed particles. Seen under the microscope, these fragments are sturdy spikes quite capable of working their way under the skin and causing an itchy "bite."

Dust from paper can have the same effect. The other major culprit is electricity. The shock of walking across a room and then touching a door knob is quite real: a miniature bolt of lightning from your finger to the metal. Unpleasant though these shocks are, they are not harmful. It is the shocks that pass unnoticed that can cause trouble.

The electrostatic charge which

Pat Healy looks at the fate of the jet set pet

Quarantine dogma

WREN MUPPET, a cavalier spaniel, completed six months in quarantine his owner, US Ambassador Charles H Price, collected him in a stretched limousine complete with an escort of motor cycle outriders. The entourage filled the extensive parking space at the kennels near Heathrow.

Muppet's kennel is now occupied by Sissy, a three-year-old Yorkshire terrier, also an American import. Told of the illustrious predecessor, dog owner Donita McDonald, from Oklahoma, said: "He was just warming the place up for Sissy."

Donita, who visits Sissy at least twice a week, said the dog had taken some time to "warm up" although she had brought her two teenage daughters, Mollie and Mike, to visit as well as the pet's favourite "toys" — old socks and tights.

The two dogs are just a few of the thousands arriving in Britain every year to spend six months in quarantine inspected and monitored while their owners agonise over whether their pets will still welcome them when they are finally reunited. Many go to extraordinary lengths to keep up the relationship.

One woman, based abroad, used to send fortnightly tapes to tell her dog on a personal stereo. It was full of cloying messages from "Mummy" which the kennel maids found so embarrassing that they would simply switch on the tapes and leave the animal to it. They were unable to describe the effect on the dog.

Another woman, who has emigrated from South Africa to Australia, telephones London from Beach Beach every week to find out how her Maltese terrier Monty and Muppet are faring without her constant attention. The dogs are in British kennels because the Australian and New Zealand governments are even stricter than the British: both countries will accept animals only from the UK. Those from third countries have to undergo Britain's quarantine regime before being allowed to continue their journeys — and then face another two months quarantine on arrival. The cost of shipping Monty and Muppet from South Africa to Australia via London will be at least £2,000 — a fair indication of how much people appreciate their pets.

Owners are fussy about the conditions their pets face when out of their control, too. One man based in the US and reluctant to quarantine visitors of his "rat cat", officially labelled "Tiddles" but whose real name is the rather grander Shakespearean "Theobald".

Barbara said: "When we knew we were coming here, we threw him out by the scruff of the neck and hoped he would make out.

from the animals. They usually settle in quite quickly, and many leave in a better condition than when they arrive, particularly if they have lived in hot climates." Most of the puppies come from the owners' reluctance to accept quarantine regulations: one French family were so opposed to the system that they were asked to move their pet to a kennel outside the country to avoid further disruption. Pet owners point out that more than 300 countries in the world have no quarantine regulations at all, but most of these are the countries that are rabies free.

Michael O'Connor, recently returned from teaching philosophy in Canada, said: "I don't know enough about the rabies virus but I would like to know if they really need six months."

He was visiting Sunshine, a five-year-old grey and white cat who was clearly in a bad mood, perhaps because his cage — normally more than large enough to swing a cat — was suddenly full of people. His owners were clearly bitter that no allowance was made for the fact that Sunshine had received frequent rabies shots since he was a kitten. His wife, Cheryl, said: "If the Government insists on quarantine, they should pay for it."

Charges are certainly expensive compared to the normal cost of keeping a pet. Dogs are charged in four groups from "small" to "giant" and fees vary accordingly. Cats, being smaller eaters, are cheaper but since they often come in twos and threes still cost a pretty penny. For three cats sharing the quarantine costs will be £1,476 for a "giant" dog — a St Bernard for example — the cost will be £360.

Quarantine fees for the O'Connors will be near £600, excluding the cost of import licences, carrying fees and their own travel to visit Sunshine. Their views are shared by Michael and Barbara Welch, over on assignment from the US and reluctant quarantine visitors of their "rat cat", officially labelled "Tiddles" but whose real name is the rather grander Shakespearean "Theobald".

Barbara said: "When we knew we were coming here, we threw him out by the scruff of the neck and hoped he would make out.

The accompanying table gives a sample range of costs.

Quarantine costs are only part of the price of bringing a pet home from a tour of duty abroad. The airlines charge freight costs that vary from around £75 to transport a cat from Germany to £1,000 to fly a St Bernard from Australia. And if owners do not have the properly approved containers for air travel, they can expect to shell out another £150 for boxes, paper work and collection.

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DIVERSIONS

If you want to get ahead get a hat

IF YOU are in search of a proper *chapeau* with which to broach the social season I'd better give you the bad news first. One word is all it takes - price. It looks neat enough on the printed page but it can make a nasty mess of the bank statement. Though infinitely pretty straw hats can be bought for under £50 (and I found one really quite stylish one at Harrods for £17) if what you are looking for is a designer hat then anything from £100 to £500 is the price you should expect to pay for a name like Philip Somerville, Graham Smith or Royal hatter Freddy Fox.

A designer hat, in case you wondered, is a *numero* by a "name", which not only lends a certain confidence to those who need it but also offers the certainty that you won't run into your best friend at Ascot sporting exactly the same little collection. The good news is that hats are back. Milliners are flourishing as never before - in department stores, in their own *salons* and in the chain stores. No longer is wearing a hat an impossibly grand statement, only ventured by the brave. Though you wouldn't (would you?) wear the same hat to Ascot that you'd don for a saunter down to Sainsbury's, somewhere there lies a hat that would suit the moment.

My views on hats remain unchanged. The sole *raison d'être* for all those bits of straw and tulle is to make you look beautiful, to provide a delightful frisson of mystery and deliciousness and if a hat doesn't do that, don't buy it.

Douglas Sutherland, always

rewarding to consult on matters sartorial, has this to say about the role of the *chapeau* in the English Gentleman's Wife's Wardrobe. "Particular notice should be drawn to hats. Hats, for ladies, have a curiously uplifting quality. She has to have new ones frequently for such occasions as Ascot, Wimbledon, family weddings and the like, these can then be pensioned off for going to church in. Could it be that in a beautiful hat, and with the family jewels on, no one will notice what else the Lady wears?"

To get your eye in on the new season's millinery delights you could hardly do better than take in the offerings of a good hat department. Harrods hat department is easily depleted in square footage but hats of every name and mood are still to be found. The days when customers came to them for a wardrobe full of grand occasion hats may have passed, but there is still plenty of variety. Biggest selling designer names are Philip Somerville, Graham Smith (famous for the quality of his fine, fine *pari-bumel* straw) and Frederick Fox (this year he has produced some stunningly sophisticated little numbers, all magic and coquetry).

Still highly sought-after for her magical way of making straw seem almost butter-soft is Patricia Underwood. She it was who produced the hat that almost every fashion editor in town was to be seen wearing a couple of summers back. With a wide, wide brim that drooped sweetly, just like a wilting rose, it was the hat to be seen in. This year her straw

is still flopping beguilingly but in more sophisticated shapes and colours. See most of her collection at Browns of 27 South Molton Street, London W1.

Vivian Knowland is yet another name to look for. She is the master of shape and while her styles are neither very innovative nor avant-garde, they are always flatter. They are good value, too, at prices that start at £20 and go on up to about £150. Find her designs at Harvey Nichols, Fenwick and other good stores up and down the country.

Avant-garde hatter of the year is, of course, the shaven-headed Stephen Jones. If you like to be noticed a Stephen Jones hat

should do the trick, though in his latest collection for House of Fraser stores there are some more conventional-looking numbers. Prices are good, too, all House of Fraser design are under £20.

Over at Frederick Fox, of 87-91 New Bond Street, London W1, where posers of royals, clutches of aristocrats and battalions of the rich and famous regularly shop, black, it seems, is the colour of the moment. All those fashionably vibrant colours need the strength and sobriety of black as a contrast. Customers

may order anything from one to 10 hats at a time - my dear, one never wears the same hat two days running to Ascot, that would be very *chapeau*. His prices range from £200 to £400 and his inimitable elegant creations can be found in quite a few department stores as well as in his own *atelier*. Prices start at about £200 and go on up to £400.

If those prices seem fancy, there's worse to come. At David Shilling's showman-come-workshop at 44 Chiltern Street, London W1 you're talking bigger money still. £300 - £5,000 is what his customers can expect to pay but for that every petal will be of purest silk, hand-made, hand-sewn. Later on he will always "refurbish" the hat so that it can look quite new. His are the hats for those who "want to spend time and look a million dollars." This year, says David Shilling, the look is "terribly sophisticated, terribly elegant." You should take along your finery so that colour, mood and silhouette can all be carefully gauged and any colour can be exactly matched. Can any hat, no matter how wonderful, be worth £5,000? At David Shilling, they are in no doubt - nor, it has to be said, are their customers.

If you have avant-garde tastes and like something a little, shall we say, out of the ordinary then you might like to visit the exhibition of hats by Marie Mercat at the Discreetly Bizarre Gallery,

Lucia van der Post
HOW TO SPEND IT



Dramatic black straw hat by Susanna Wood. £149 from Liberty and The Shoe Shop, Erompton Arcade, London SW1 and Tolanda, 7 Orchard Mews, Tower Road, St. Helier, Jersey. By mail from Susanna Wood direct. Tel 0491-34357.

166 New Cavendish Street, London W1 where some 15 one-off wildly colourful and witty hats are on show. From a "chechia" or fez style hat covered, it seems, with fake lawn and hens, geese and flowers to a top hat bedecked with roses, these are strictly not for retiring souls.

If all these prices seem like utter madness, take heart. Laura Ashley has some charming natural straw hats, a good cloche shape among others, which can be dressed up or down. The Hat Shop, 58 Neal Street, London WC2 is the shop that has done most to persuade a new generation that wearing a hat is a Good Thing. Their down-to-earth prices, their jaunty styles, their air of youthful enthusiasm have turned a hat into a witty personal prop and not just a grand occasion statement. For those who can't afford designer prices, The Hat Shop is the place to go - they'll trim and return so you can change the look, the mood and the colour. Nothing gives away a cheap hat more than the trimmings so if you can't afford the best, keep it simple.

If you want something fun, special and not too conventional, it is worth looking at what the group of young designers at Hyper Hyper in London's Kensington High Street are up to (after all, that is where Karl Lagerfeld came upon the young Kirsten Woodward, now highly sought-after by couturiers and the smart-set).

If the cap fits chaps, wear it

THERE ONCE was a time when hats for men were quite the thing but there is now a whole generation of young men who have never worn a proper hat at all. Weddings, the city and racecourses were for years the only places where hats were regularly seen. The hatters must have been in despair. Today, however, all is chirpy. Hats for men, they say, are coming back. But nothing fancy or avant-garde you understand. Hats for men are all about classics. The same hat can safely, indeed must, be worn every day to Ascot.

Sketched below is a wardrobe full of hats for chaps.

1. Bring me a lightweight racing felt and make it snappy. The tipster's titer, £48. Bates. At lesser races and equestrian events the brown tribby is trotted out, though green is gaining ground (slowly mind, racecourse superstitions). Those marks of gentility, the dents in the roof of a hat, are there to form a grip to facilitate the olde worlde doff.

2. Velour galore. Magnificent puppy soft "Sloane". Cream, chocolate, cinnamon, £70. Lock.

3. The Derby, Royal Ascot, and Big Weddings all command the pomp and penguinery of morning coats and top hats in eminent greys or black. The black silk hat, the acme of the hatters' craft, is, alas, no longer made (if you find it second-hand, buy it fast) for the French maker has folded. These days the topper is made of felt - heavier, duller but at least cheaper. Choose grey or black, £179 and £335 Herbert Johnson.

4. Dressier equestrians still protect their pates with sturdy hunting "Cokes" (created by Locks of St James for a progressive Norfolk farmer called William Coke who thought there must be something more suitable than a topper to protect the heads of his gamekeepers from over-hanging branches). At Locks they are still known as Cokes but elsewhere they came to be called the bowler, after Thomas and William Bowler, who made the prototype. Today the bowler is part of the Guards' officer's mufi. £75. Locks.

5. Cap for all seasons in salt 'n' pepper tweed, £23.50. Bates.

6. The "Sherlock" £32.50, Herbert Johnson.

7. Kangol beret, rainbow range, £23.50. The Hat Shop.
8. Smoking cap, several dusky shades, velvet, moire silk £39.50, Herbert Johnson.
9. Woolen green and black lumbercheck cap £14.50. The Hat Shop.

THE SHOPS
Bates, 21a Jermyn Street, London SW1. A snug little shop, crammed with happy headwear - contented columns of checked and speckled caps, glazed shelves of lumbering Tribbles, the window a melee of fur, felt and tweed.
Herbert Johnson, 30 New Bond Street, London W1. Most fashionable and expensive of hatters. An amazing variety (ask Elton John!) including Great Waldo Pepper leather flying helmets (£69.50) and Kelly green Tribbles for St Patrick's Day patriots at Cheltenham. Just moved to new airy premises where you can practice jaunty airs and rakish angles. Dapper, waggish staff and a women's department, too.

When the sun shines there are straw busters for Henley or Eton; glamorous Panamas for Glorious Goodwood in July and Cowses in August; linen caps and cotton hats for cricket and tennis; and brimmy Montego straws like the ones dear old Cecil Beaton used to wear.

James Lock, 6 St James's St, London SW1. - a very august establishment which has been battling since 1876. A comprehensive range of fine hats including the bowler, named a "Coke" in honour of the first man to wear one. A curio they still stock is a flat-topped bowler or "cheerer" as once worn by bewhiskered farmers and by Winston Churchill (175).

The Hat Shop, 9 Gees Court, St Christopher Place, London W1. Inexpensive, interesting, some caribbony stuff (but cheap), some good quality Christy's hats.

Hackett, 65c New Kings road, London SW6. Always worth a visit in case a second-hand gem turns up. Old hat boxes plus new Christy's Tribbles.

Dann & Co. Found dead centre of almost every town. Midding, workaday, reliable range.

James Ferguson



1. Cartwheel hat in white, pink and black by The White Company, £253, Liberty, Regent Street, London W1.
2. Bone buttress floppy straw by Patricia Underwood, £195, Browns 23/27 South Molton Street, London W1.
3. Black straw with a cream satin rose. By Viv Knowland, £30 from Joanna's Tent, 289

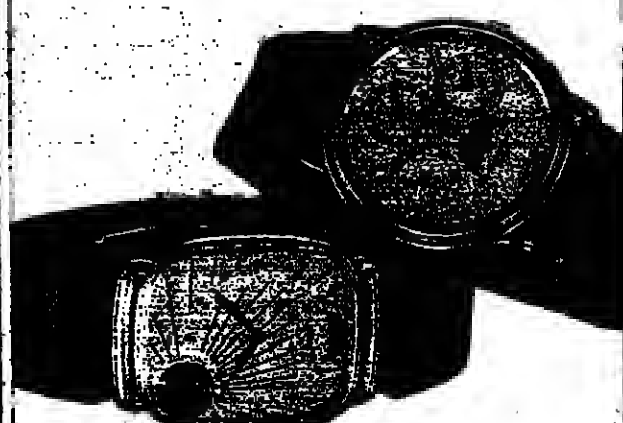
Kings Road, London SW3, Harvey Nichols, Fenwick's of Bond Street.
4. Fine white straw with navy. By Sandra Phillips, £17 from Harrods.
5. Pale pink straw pill box hat with bow. £240 by Graham Smith from Harrods.
6. Bright green beret, made by Top Hat (Marc Sibert), £135

from Liberty.
7. Yellow silk bandeau with lush silk roses. £203 from Harrods.
8. Navy and pink straw. £265 by Stephen Jones at Harvey Nichols, London SW1.
9. Double-crowned hat in finest cream straw. By Graham Smith, £241 from Liberty.

Drawings by James Ferguson



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AS FAR as I can make out, the Japanese find it almost impossible to separate food from sex. I remember some decidedly rum scenes involving an egg in the film *Empire of the Senses* (As I *Corrida* in Japanese, if my memory serves correctly). It was rather steamy entertainment, involving sex, food and violence, in more or less that order.

Eggs crop up again in an equally thought-provoking way in the latest Japanese cinematic import, *Tampopo*, which has been greeted by a welter of critical acclaim, largely on the basis, as far as I can see, that the critics could understand what it was all about.

That says much for the international nature of food and eating. *Tampopo* is about a widow's progress to becoming the noodle queen of whatever nameless city in which the action is set. She is aided in her trials by a number of unlikely figures - a truck driver who bears an uncanny resemblance to Chief Sitting Bull, and his sidekick; a professor who lives among down and outs, inspiring them to higher planes of gastronomy; and the chef/chauffeur of a rich, gourmet, whose life is saved by our heroine when she clears something stuck in his throat by using a vacuum cleaner in a somewhat unorthodox way.

I won't outline the full plot, because there isn't one really. It's a discursive, episodic and amusing ramble around human attitudes to cooking and eating, and

it shows, when it comes to those two pastimes, at least, that the Japanese are much like the rest of us. I know who the rich gourmet gourmet reminds me of. I quite understand *Tampopo*'s obsession. But I won't reveal, even to my nearest and dearest, with whom I identify. It's all a jolly and civilised correction to the Clive James School of Oriental Studies.

However, it did make me wonder how close the food served in Japanese restaurants in the UK is to the real thing. If *Tampopo* is anything to go by, "not very" is the answer. There are now more than 30 Japanese restaurants in London (but not too many in Macclesfield, Maidstone or Motherwell, I'll hazard). This is testimony to the strength of the Japanese colonisation here, and to the exiles' loyalty to their own food.

There could scarcely be a style of cooking so different from our own, delicate, deceptively simple, decorative, with an emphasis on high quality, fresh ingredients. But before we get too carried away I should point out that Japanese food has its drawbacks.

Leaving aside for a moment the annual death toll among Pugu (a kind of puffer fish) eaters, I think it is worth pointing

Food for Thought/Peter Fort

O tempura! O mores!



as we know, is very expensive, particularly if you insist on flying much of them over from Japan.

Apparently, a good many Japanese restaurants in London are not overwhelmed by the quality of the fish at Billingsgate, and insist on having their own kind of London Airlift from the markets of Tokyo and Osaka.

Even with that kind of quality control, I believe that the Japanese eating experience here. One would be hard pressed, for example, to find a place like *Tampopo*, which specialised only in noodles, although the Kitchen Yakitori in Lancaster Court, just off Bond Street, comes close in atmosphere.

Japanese restaurants in London

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don are what you might call generalists. Their sushi (raw seafood with rice) may be better than their sashimi (just raw seafood) and their tempura (bits and pieces deep fried in very light batter) better than their yakitori (grilled chicken), but you'll probably get a choice of at least three of them, or other delicacies come to that.

Not so in the shadow of Mount Fuji. I believe you do find generalists there, it's true, but much more frequently, apparently - sadly, I have not been to Japan to verify this for myself - you will find establishments specialising in one class of food only. There will be a sushi restaurant, a sashimi restaurant, a yakitori restaurant and so on.

The natural consequence of

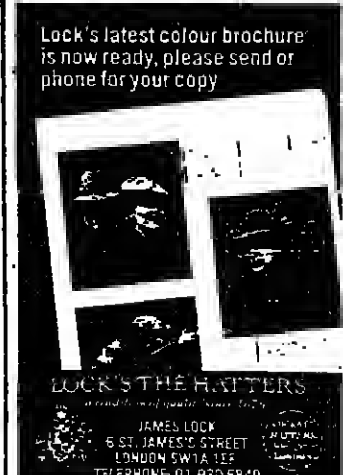
this specialisation is that you get an exceptional level of expertise in preparing the specific range of dishes, and the maintenance of very high standards of presentation. I think Japanese food has more than a whiff of ritual formality about it.

At the soothingly minimalist Wakaiba on the Finchley Road (actually designed by two fashionable Westerners) the food, especially the sushi, begins to achieve the balance between delicacy of flavour and form. Naturally, it takes a lot of hard work to achieve this kind of artless perfection. According to the proprietor, Mr Yoshihara, it takes five years to become a fully trained sushi chef and ten years before you become a master. It's easier to become a brain surgeon.



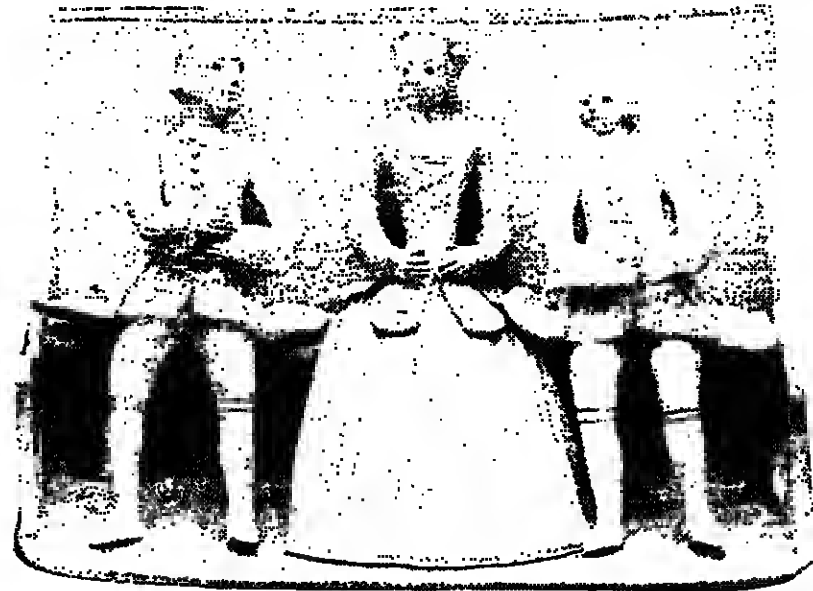
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DIVERSIONS

Janet Marsh looks at Staffordshire ceramics



Staffordshire white saltglaze pew group, of about 1745

Take a pew, folks

THE RECORD price for a single example of British ceramics was established two years ago when an American collector paid \$102,000 for a Staffordshire saltglaze pew group from the Rous Lench collection.

This was an object more quaint and comic than conventionally beautiful, with something of the spirit of a child's elaborate effort in Plasticine. It represented two little men of pipe-cleaner physique seated side by side on a settle, playing horns. Their eyes and the buttons of their coats were picked out in brown clay on white, rather like the curlicues on gingerbread men.

Few groups of this kind form a very distinctive class and appear to be among the earliest forms of chimney ornaments made by the Staffordshire potters. They are excessively rare: at most, a score of authentic examples are known, and the Rous Lench pew group was only the fourth to appear at auction since the Second World War. Thus, it is notable that two more have surfaced so soon afterwards and will be sold by Sotheby's in London on Tuesday, June 14.

The appearance of these groups - so similar that, almost certainly, they have stayed together since they were made - might seem almost too good to be true. But thermo-luminescent testing establishes beyond doubt that they cannot have been produced later than the mid-18th century.

For objects that command such high prices, surprisingly little is known about these groups. Pottery manufacture in the 18th century still was a peasant craft. The potters were humble men, working for humble customers, and unconcerned to leave any traces for posterity beyond brief entries in parish records.

The surviving pew groups all appear to date from the 1740s, and almost all are made of the fine, white, salt-glazed stoneware perfected in Staffordshire shortly before that date. The artlessness of the modelling is not unself-conscious. These figures undoubtedly were conceived in a spirit of caricature to amuse and entertain their owners.

The term pew group seems something of a misnomer: the seats on which the figures sit look much more like settles or ale-benches. In some examples, the back of the seat is decorated with grotesque masks; in others,

with fretted designs of hearts. The occupants generally are either musicians or a trio representing a young lady seated between rival suitors.

Traditionally, it was supposed that all these pew groups were the work of one potter, Aaron Wood, a progenitor of the famous potting family who was credited by tradition with a whimsical sense of humour. However, the two new groups are so different in style, both from the Rous Lench group and from the solitary example in the British Museum, as to indicate that they cannot have been the work of the same person.

While the Rous Lench group clearly was modelled entirely by hand, the newly-discovered groups are made up of moulded elements in the manner of porcelain figures. In each group, the limbs and bodies of the lady and her escorts are identical. There are, however, variations of posture and, in one group, the lady carries a pet dog while one of the men plays a pipe.

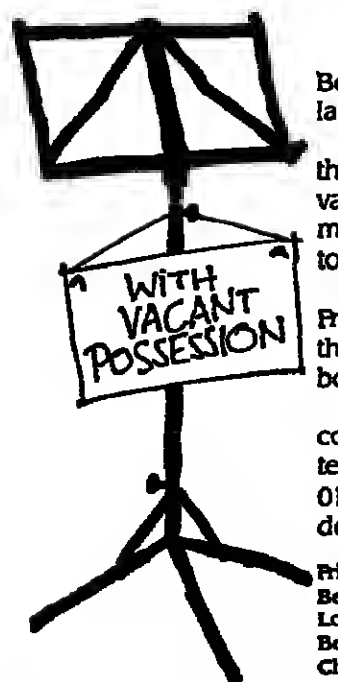
Sotheby's hazards an estimate of \$40,000-60,000 but, with the complication of two groups being sold together, it would be very difficult to guess whether these rare items will surpass the Rous Lench record.

The pew groups tend slightly to overshadow a number of other outstanding items in a sale of exceptional quality. There is an amusing variation on a well-known Whieldon group of a water buffalo, based on a Chinese original and found normally with an Oriental figure on the animal's back. In this case, though, the startled creature is ridden by a precariously-balanced European figure (estimate \$3,000-12,000).

A Southwark delftware charger of a fluted form unrecorded in English delftware of the period, with the arms of the Vintners Company and dated 1650, is likely to realise \$30,000-40,000; and a delft charger of circa 1665, with the portraits of Charles II and Catherine of Braganza, is estimated at \$20,000-30,000.

There is also an impressive group of 17th century English silpware, including a press-moulded dish with an equestrian portrait of George I (\$35,000-50,000); and an unrecorded portrait charger showing William III in a dramatically stylised pose waving sword and sceptre aloft.

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Ralph Atkins reports on five musicians with a similar educational background

A school for horns of plenty

THIS IS a rhapsody on a theme and variations. The theme is the education, development and passage to professional success of musicians who play perhaps the most emotionally-rich instrument in the orchestra: the French horn.

The first variation is David Pyatt, a 14-year-old whose mastery of the horn has won admiration from the finest musicians. He was winner of the BBC's Young Musician Horn Competition in 1982 and in Amsterdam this week he was placed in the top six of 16 under-18s competing for the title of European Young Musician of the Year.

The other variations are four different musical characters who complete a quintet of horn-players.

● Oldest is Michael Purton, 35, who for 13 years was principal horn of the Hallé Orchestra.

● Adrian Leaper, 34, is assistant principal of the Hallé and has eight years playing horn with the Philharmonia.

● Michael Thompson, 34, was principal horn in the Philharmonia when only 21 and is now a freelance.

● Kevin Pritchard, 21, is now playing horn with the Scottish Opera and studying at the Guildhall School of Music and Drama. Linking the theme and variations is a common background. All five have been, or are, pupils of Watford Grammar School, a boarding school in Hertfordshire, north of London, with an inexpressible tendency to produce top-rank horn players.

Pyatt, in his third year at the school, is its latest aspiring musician. But, performing Richard Wagner's *Tristan und Isolde* in the European competition, he was not a schoolboy; instead, he displayed calm self-confidence spiced with a little ebullience.

To the layman, the French horn is a peculiar instrument. The right hand disappears into the flared bell (with a finger appearing out of the mouthpiece) as if cartoonist Hoffmann is believed) while three valves and 11ft of tubing produce a rainbow of tones.

The professional player stands almost motionless, his cheeks



David Pyatt at Watford Grammar: "a year or two won't make any difference"

puffing only rarely, but he produces a sound that can be majestic or lyrical, romantic or wistful. Horn-players cannot be timid. It is an accident-prone instrument; the risk of a flawed performance requires firmness of mind.

Pyatt began playing at junior school when he was eight. He started on an instrument found in the attic, that used to belong to his father - himself a Watford Grammar School horn-player and now a teacher at a college of further education.

At the grammar school, Pyatt plays in the orchestra - often taking second place to a more senior colleague. Orchestral music, he points out, is about teamwork and there is much to be learnt from parts other than first. "If you don't get on with other people, then you have had it, really," he says bluntly.

He also plays in the National Youth Orchestra. Head of music at Watford Grammar - which was founded in 1704 and has more than 1,000 pupils - is John Didcock, a master there for 20 years and a one-time self-taught horn player. He expresses satisfaction at the opportunities to enjoy music he has created for countless children. "One is more eager to give all musicians this sort of chance

than to produce professionals - professionals would happen anyway," he says.

However, the greatest tribute to him is that all four of those former pupils who have gone on to make horn-playing their career say their musical education at the school could not have been better.

Step back more than 20 years to when the school provided the first opportunity to play a horn for Purton and Thompson. Both started on violins but switched when they were about 12.

Purton's move stemmed from a friendship between his parents and the then head of music who was eager to build up a horn section. Thompson was similarly encouraged, "I remember saying, 'Yes, that's fine. Which one is the horn?'"

Leaper was the same generation as the two Michaels, attending Watford Grammar in the mid and late 1950s. He started learning at Watford School of Music - a nearby centre run by the county council - but all three shared the same teacher, Andrew Fiske, who taught both at the grammar and at the school of music.

Each encouraged and competed against the others, creating a horn section that must have been

unique among school orchestras. The school of music merely doubled opportunities for playing. By 1969, all were playing in the National Youth Orchestra.

The trio left school more or less together at the start of the 1970s. Purton went to the University of Surrey for three years. The other two, more impatient, went to the Royal Academy of Music in London and were quick to start as professional players.

Pritchard who started learning horn aged 10, having picked it from a poster. He was taught at Watford School of Music by Leaper and went to the grammar school between 1977 and 1984.

Not for him an early departure. He played in the school orchestra and the National Youth Orchestra and went on to the Royal Academy for three years. He left the school with much respect for it, happy that he had made progress but grateful he was not hurried.

"We did such a wonderful repertoire in the orchestra including Beethoven and Brahms symphonies. Other schools would have stuck to Haydn," he says.

He has experience performing professionally - most recently playing first horn in Leonard Bernstein's *Candide* with the Scottish Opera in Glasgow - and

is seeking to embark on a career with a major orchestra. His aim, simply, is enjoyment. "It is ever coming to turning up at the Festival Hall and thinking 'not this bloody Chalkovsky again,' I would have to think why I was still there."

His predecessors from Watford Grammar School are proof that there is no need to hurry. All three have found time in plenty. Leaper resigned from the Philharmonia in 1982, aged 32. He has since given up professional horn playing to concentrate on conducting - a passion also dating from his time at school. Last December he featured in a Granada TV documentary, *Making It*, on a year in the life of a striving conductor.

Purton was forced to resign from the Hallé in March 1986 because of a muscular problem. He admits, however, that he was fed up with the work pressure and regretted it was becoming a penance for him to play the music he once admired and loved. He has since started a masters degree and from September has been coordinator of music at Benenden School, a girls' boarding school in Sussex.

Thompson, too, has seen a career change. After 10 years as principal of the Philharmonia horn section, he left to start a new decade would be merely a repetition of the last 10 years. He is now a soloist, session musician and teacher. He has also recorded Mozart and Strauss horn concertos.

Young Pyatt is set on a career in music but is both patient and philosophical. "If you are going to have 40-odd years in the profession," he says nonchalantly, "a couple of years here or there are not going to make any difference."

While critics of the Young Musician of the Year competition argue it puts too much pressure on young musicians to make the grade, Pyatt is placid. "I don't think I will peak at all. Obviously winning the competition was a peak but I'm sure there will be a trough quite soon. Then I suppose it will be a higher peak next time. You try to get higher every time."

The circus where dreams are real

Grab this last chance to see it, urges John Fisher

LE CIRQUE Imaginaire, which opens on Tuesday for a limited season at the Mermade Theatre, could not have arrived in London at a more appropriate time. A succession of circus acts and variety turns presented singly and together by its two founders, it combines the philosophy of "small is beautiful" with a heart-felt plea for sheer talent at its most glowing and spine-tingling.

The contrast between, on the one hand, the circus dream-become-reality of Victoria Chaplin (third daughter of the cinema legend) and Jean-Baptiste Thierree and, on the other, the Moscow State Circus, now set securely upon a tour of the British provinces after heightened media acclaim at Battersea Park in south London, could not be more striking.

Media hyperbole has produced the fallacy that the only great circus left in the world is that produced by the state-controlled gymnastic machine of the USSR. This is not so. In mainland Europe, unlike the UK, the circus is still an entertaining and a television producer like myself can take colleagues less knowledgeable in this area with pride rather than embarrassment.

The greatest conventional circus in the world is actually Circus Knie in Switzerland. The Knie dynasty is regarded by the public there as the nearest equivalent of a Swiss royal family, such are the standards it has set itself with animals, human performers and production values.

During childhood, Chaplin would be escorted by her parents to see Circus Knie whenever it visited Vevey, the family home on Lake Geneva. For all its grandeur, the greatest impression must have been made, as today by its style, intimacy and the warmth of its personal touch.

Her meeting with Thierree, an aspiring clown with sawdust already in his shoes, was heaven-sent. Two years later, in 1971, they inaugurated *Le Cirque Imaginaire*, then called *Le Cirque Zengler*, at the Arignone Festival with an ensemble of more than 30 acrobats and clowns not to mention lions, tigers and elephants.

Over the years, they have distilled everything of value in the European circus scene and adapted the result to their own personal vision. The result is an evening of poetry and surprises as bewitching as any I have ever spent in the theatre. They are now their own ringmaster, orchestra and corps de ballet, their only assistance a small domestic menagerie of ducks, doves and a rabbit.

The wild-haired Thierree is an endearing clown with a guileless charm and an eccentric approach to prestidigitation. The magic in his world transcends the conventional cabinet of wonders. Its best moments are incidental ones, as when he bursts a bubble with a hammer to produce a surprising



Thierree: endearing clown with a guileless charm

metallic ring, does a 360-degree turn of head and upper torso while his feet stay planted on the ground, or blows up his bunny rabbit with an air pump as if it were the most natural thing in the world to do.

Interwoven between his own escapades are the stunning pieces Chaplin has made her own. That one person should have achieved not only perfection, but such an invigorating

freshness in so many disciplines, is dazzling. At one moment she is a one-person band cajoling tunes from an ingenious coil of many noises - bells and clangers, rattles and bones; at another she resembles an Elvira Madigan for the Eighties, exploiting danger and sensuality as she treads the silver wire.

She produces an audible gasp as she scours out over the heads of the audience, looped precariously to the most insecure of rope swings. Then, she uses a total kaleidoscope of fans and umbrellas to transform herself into the most colourful catalogue of exotic beasts and extra-terrestrial characters imaginable.

Chaplin acts as the perfect counterbalance to her husband, her symbolic magic enhancing his literal hocus-pocus. The world of the stage illusionist has always been opposed diametrically to that of the true circus performer. Both set out to achieve the impossible.

But while the conjurer defies gravity, say, by resorting to ingenuity, deception and applied psychology, the trapeze artist does the same through innate physical strength, skill and daring. It is good that in the artistic marriage of the inspired Thierree and the daughter of history's most famous clown, these two wonderful worlds have achieved a unique harmony.

This, the first London visit of *Le Cirque Imaginaire* in six years, will sadly be the last. After seasons in New York, Tokyo and Los Angeles, Chaplin and Thierree are committed to conquering new artistic horizons. Perhaps of their dream while you can, and discover the true magic of circus.

Toast of the reading classes

William St Clair looks at an old and exclusive club

THE THIRD Duke of Roxburghe is said to have put prudence before love. When his wish to marry the sister of the Queen of England was opposed by both families, he sighed and obeyed. Later, as Lord of the Bedchamber and Groom of the Stole at the court of George III, he had opportunities to see what he was missing, but he remained a bachelor.

In the saleroom, however, he was bolder. Having arranged for a friend to bid on his behalf for a first folio Shakespeare, he lounged at the back of the room to watch the proceedings. When the bidding reached 20 guineas, the friend passed him a note asking if he should go on. The Duke took out his pencil and, like a general on the battlefield, calmly wrote: "Lay on, Macduff! And damned be he who first cries hold, enough!" The book was secured for 35 guineas, an unprecedented price for an English book in those days.

But the Duke of Roxburghe's greatest day occurred on June 12 1812, eight years after his death, when his own library came under the hammer. Among his collection was a copy of Boccaccio

printed by Valdarfer in 1471, believed to be unique, at any rate in England, in its complete state. The Duke paid 2,000 guineas for the price which Roxburghe paid in the 1730s, and soon developed into a contest between the Marquis of Blandford, heir to the Duke of Marlborough, and Earl Spencer. When there was a moment's silence at 2,000 guineas, Spencer was seen to confer with his heir, Lord Althorp, before attempting a knockout blow by bidding £2,250. But such tactics are usually a mistake, at any rate if you sincerely want to buy. Blandford quietly repeated his usual bid, "And ten," and obtained the book.

That evening a group of noblemen dined together to celebrate. They enjoyed themselves so much that they decided to make the dinner a regular event. The Roxburghe Club has been going ever since, probably the oldest book club in the world and certainly one of the most unusual. A memoir of 1818 lists the eleven types of wine and the bill for £85 for 15 members, including broken glass. A total of 11 toasts were drunk to the memory of the early printers. The final call was "the cause of bibliomania all over the world."

They had much to celebrate. By 1812 it was clear that the English nobility were not going the way of their French cousins.

Their wealth and privileges were intact. Napoleon was on the way to defeat, and the price of corn was low. The members of the club were in the best of times, over one shilling and sixpence for a large loaf, and it stayed there for several years. With the average wage for a skilled worker then about 25 shillings, not everyone benefited.

However, if the early excesses were somewhat tactless, the Roxburghe Club did not neglect its original purposes. One of its earliest actions was to place a memorial to William Caxton in St Margaret's Church, Westminster, near the place where the first printing press was established in England. On the first anniversary dinner it was agreed that each member should be invited to reprint some "scarce piece of ancient lore" and to present copies to the other members.

Since many owned libraries which contained unique manuscripts and rare printed books, this was an excellent way to share their pleasure and to advance scholarship. The custom has continued to this day.

Since 1898 the club has consisted of 36 members. Some have inherited their libraries, others have accumulated them, and there are experts who know about the details. Lord Powis joined at 21. John Pierpont Morgan had to wait until he was 75.

Sir Walter Scott was a member, although he did not attend. The Earl of Normanton has recently presented a facsimile of the York Buxpene, bringing the number of Roxburghe Club books to nearly 250. Written in Latin in Anglo-Saxon times, the manuscript has been at York since 1020 and is still used for swearing ceremonies at the Minster. There are no pictures and few people will read it for the story, although, as an example of the calligraphy of its time, it is admired.

More interesting are the later additions in Old English, which give details of some of the estates in Yorkshire owned or claimed by the Church during its early expansion. A sacred book conferred legitimacy - or at least ensured continuity - for records of worldly matters written in its margins. The additions are transcriptions of a few persons and a public letter from King Canute on his recent visit to Denmark; it makes no mention of giving orders to the tides, the only episode for which he is now remembered.

Two hooded extra copies of the Roxburghe volume, which includes extensive introductory material, are being sold to the public at £285, including postage and packing, from Maggs Brothers, 50 Berkeley Square, London, W1.

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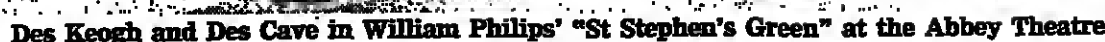
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A romp through a Restoration rarity

Quite a reasonable debate is joined on the mercenary aspects of marriage, news of legacies and dowries suppressed for the sake of testing true love. But finance in the family is also



stock costumes, an irritating superfluous little dog (I suppose the American tourists who were bussed in to Thursday night's loose and sloppy performance had to relate to *something*) and some pretty harp and keyboard music by Loreena McKennitt. I am glad to have seen the play, but do not expect to do so again. It continues at the Abbey until June 25.

those beautiful songs. I left humming "I can't say no," or was it "Out of my dreams," or "Oh what a beautiful morning." Or all three.

Antony Thornecroft

Antony Thornecroft

before his legal troubles exiled him from Hollywood. On video you can savour its all-star subtleties over and over. They include a classic Jack Nicholson performance, purring with adonoidal mischief as the private eye; Faye Dunaway looking as streamlined and imperious as the Statue of Liberty; and bearded John Huston as the villain, barking and snoughing away like a Southern tree adorned with Spanish moss. The film has wit, style, cynicism and excitement. What more could you require?

Nigel Andrews

Monday's drama on Radio 4, *Filomena Marturano* by Eduardo de Filippo, was not Latin-American, but Latin anyway, Neapolitan. It was a very good story about an ex-tart anxious to marry the man who has been keeping her for 25 years, and who may or may not be the father of her three sons. There was excellent playing by Billie Whitelaw and Robert Stephens in these two

B.A. Young

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Come back for cult figure

Three hours of Cohen was, in prospect, like submitting to a week of Christmas Days. In the event it paced out well, slowly, sensibly, but also hypnotically, and, finally, triumphantly. I'm already looking forward to the next concert – in ten years time, please.

Antony Thornecroft

Antony Thornicroft

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Cricket/Teresa McLean

Self-critical leader inspires his side

MIDDLESEX IS a difficult cricket county to write about because it doesn't feel like a county. It feels like a north-of-the-river London, the traditional enemy of south-of-the-river Surrey, but it doesn't have Surrey's nutting villages to give its game a touch of the countryside.

Middlesex is, and always has been, an urban team and as far as I can see, none of its members has any sense of county identity at all. I suppose that might be partly because Middlesex the county no longer exists. But other cricketing counties have survived the onslaught of the Boundary Commission with their patriotism intact.

Yorkshire is as full of county nationalism today as it was before it became Humberside, Cleveland, north, south and west Yorkshire and a bit of Cumbria. Middlesex, by contrast, has strong team spirit but its young players all agree that county spirit is non-existent.

In the north they would be lucky to get away alive if they said that. Yorkshire has a cherished belief in itself as a county apart and to this day only allows Yorkshiremen to play in its cricket team. Its neighbour, Lancashire, imports and exports players as much as everyone else but is proudly county-minded. The Roses Match is an ancient bloodbath, less popular now than it used to be but still fought with passionate intensity.

Part of the force of this feeling in the north comes from the powerful, sometimes fanatical awareness of being north country. In Middlesex you would be sent away for treatment if you held forth about the glories of being a south country lad. Even the southern equivalent of the Roses Match, the game between Middlesex and Surrey, is no longer the local derby it used to be. Nowadays the Middlesex players prefer the game against Essex because it is always a good, competitive fixture.

"The team really gets itself together against Essex," they told me. When I pointed out that Essex is the only county to have won a county championship match against Middlesex this

year, they regarded this as helping to prove their point. "Essex is becoming our favourite enemy, like Surrey used to be."

Antipathy, like loyalty, is a free-range affair at Middlesex. Even in the early years of the century, when county loyalty everywhere was fierce and most county players were local recruits, Middlesex transcended not just county but national boundaries with the nonchalance befitting a cosmopolitan capital city.

"Plum" Warner, who was the amateur captain and hero of Middlesex for most of the decade 1910-20, was born in the West Indies. At the time Middlesex boasted a wide variety of birthplaces for its players, including

At Middlesex, team spirit transcends county loyalties

the North West Frontier, Peru, Scotland, Australia and Yorkshire, to name but a few.

Ironically, the trend today is towards a non-London enemy and a north London team. There are four Middlesex men in the present squad and three from Hertfordshire and Buckinghamshire, the neighbouring minor counties and recruitment suburbs.

This Greater London flavour shouldn't be over-rated. No doubt it helps, but ultimately Middlesex's team spirit doesn't come from county or regional loyalty. It is stronger this season than it has been for a long time and as Middlesex continues to surprise everyone by leading the county championship, its team spirit continues to prosper. Simon Hughes, one of the bevy of Middlesex all-rounders, offered a rather enigmatic explanation for his team's well-being. "We started to improve when we asked ourselves a lot of questions last year, after two very bad seasons."

Reluctantly, not wanting to seem obstructive about all this self-examination, I felt nevertheless that I had to ask why it had

produced results this time when similar seasons in the past and other counties have not. The answer is Gattling. He is a self-critical leader who inspires his team by tearing himself to pieces in front of them, then going off to the nets to start work on correcting his faults. Middlesex has nine First XI players aged 25 or under, some part-time, some full-time, all responsive to this style of leadership from the front.

That is why the departure of Edmonds has raised morale. An ambitious extrovert with a high public profile, he was not easily absorbed into the team atmosphere that Gattling was trying to create. Relieved of his presence, and of Radley's painfully pedestrian influence suffocating all before it, the young Middlesex contingent now seems happier and more optimistic.

Optimism is a useful virtue to have at Middlesex. It has always been a team famous for not working. Right up until the 1930s Middlesex had five or six amateurs. A generation later, when Compston celebrated post-war euphoria in 1947 by scoring 2,467 runs with light-bearded grace, practicing before playing was still an offence against good taste.

The hard-boiled realism of modern cricket has only been partly successful in changing this. Some of the older players continue to trust fortune more than work and are renowned on the county circuit for turning up to games at the last minute and having a cup of tea instead of a work-out in the nets before play. This summer they are not doing badly on it.

There is a distinctly ad hoc quality about Middlesex's cricket at the moment. Preparation beforehand, although increasingly popular with the younger recruits, is less important than dynamism on the field. It being generally agreed that a game is won or lost on the field of play where, they assured me, you really get plugged in.

I struggled with the image of Gattling plugging himself in. It was explained to me that the plugging consisted of shouting encouragement and advice to his



Meat of the man, meat of the bat: Mike Gatting

team all the time. Downtown consolidates this with his own supply of chatter, clapping and little nuggets of enthusiasm. "We are the noisiest team in the game," says Hughes proudly.

Off the field they are quiet and give the impression of being rather surprised by their current success. One possible reason for it, they suggested, might be the appearance this year of a good bowling attack. If one had to generalise, I think it would be fair to say that Middlesex's moments of greatest glory have usually been with the bat. Warner and Compston spring immediately to mind and today Gatting leads from the batting crease as Brearley did before him.

An exceptional number of Gatting's troops can turn an arm if

needed be - Tunnell and Needham and, on occasion, Sykes and Carr, provide spin support for Emburey, while Fraser, Hughes and Williams make a sharp, medium-paced follow-up to Cowans and Daniels, who have been plagued with injury.

With the Lord's wickets looking kinder to bowlers than they have done for years, the only reason for Middlesex's nervous attitude to the rest of the season is the absence of their captain and vice-captain, Gatting and Emburey, during Test matches. It will be interesting to see if they have the resources, batting, bowling and psychological reserves to handle that.

As a life-long Surrey supporter I would like to think that they could unplug themselves as easily as they plug themselves in.

Tennis/John Barrett

Youthful aspiration fills the Paris air

NOT FOR years has there been a French Championship so full of youthful promise as this year's meeting which ends this weekend in the leafy splendour of the Stade Roland Garros in Paris. With a succession of spectacular upsets throughout its rain-washed progress, the current version of these unofficial world hard court championships could be subtitled the March of Youth.

When Steffi Graf won the title here at the age of 17 years 11 months, we all saluted the youngest-ever winner, so it is extraordinary to think that the three youngsters who joined the holder in the semi-finals this year were all younger than the West German, now almost 19.

There certainly seems to be something in the Paris air this spring. When last Friday the delightful little Spaniard No. 1, 16-year-old Arantza Sanchez, bested seven-times former champion Chris Evert, it was a signal for all the young players in the draw to believe that miracles were possible.

Certainly the 17-year-old Russian girl, Natalia Zvereva, who had won the junior tournament here last year (she later added the Wimbledon and US Open junior titles), played with great conviction when surprising the No. 2 seed, Martina Navratilova, with the variety of her backcourt game.

After beating the former world champion in straight sets, Zvereva, the No. 13 seed, seemed to grow about two inches. The momentum of that victory carried the young Russian past sixth-seeded Helena Sukova in the last quarter final, played late on Tuesday.

This tense and highly commendable 7-5, 3-6, 6-4 victory was completed only just in time for Zvereva to rush to the world champions' dinner where, she stood beside Graf and made a brief but dignified speech in English. Well as she was playing, I doubt if this self-possessed young lady believed that four days later she would be meeting Graf again - on court this time - as she does in today's final. There were moments in her semi-final on Thursday against

the powerful Australian, Nicole Provis, when belief seemed to die. After being thwarted in the closing stages of the second set, where the Australian saved a match point, she had to face one herself at 4-5 in the final set. That she survived 6-3, 6-7, 7-5, to become the youngest finalist here since Andrea Jaeger in 1982 is a great tribute to the former Russian No. 1, Olga Morozova, who is now in charge of women's tennis in the USSR.

Provis, too, has acquitted herself well. With her forthright attacking game Nicole reminds me of her famous countrywoman, Margaret Court, who won here seven times between 1962 and 1973. Nicole has displayed an unexpected new level of consistency and needs now to concentrate on

'Strong, young men are imposing themselves here'

improving her mobility with her Melbourne coach Ken Richardson.

While all that excitement was happening in the lower half, Graf, her formidable forehand picking off opponents like a marksman at a fairground, was looking better and better. Strong and even faster than she had been last year when her thrilling victory over Navratilova had earned her a first Grand Slam crown, Graf dismissed her first five opponents for the loss of a mere 11 games to sweep imperiously into the semi-finals.

Her opponent there was the No. 4 seed, Gabriela Sabatini, the 19-year-old Argentine beauty who, much to everyone's surprise, had lost the first set of her quarter-final to the Canadian girl Helen Keiser, who is only six months her senior. Gabriela's form in that match suggested I doubt if she was unlikely to repeat the two wins she had achieved already this year against the world champion - her only successes in 12 meetings against her doubles partner. So it proved. Graf, though ner-

vous and less consistent than she had been previously, played the big points well to score an impressive 6-3, 7-6 win that took her to a fifth successive major championship final. The winner of the Australian Open last January, Graf is now on the second leg of the elusive Grand Slam, last scored in the same year by Margaret Court in 1970.

Promising as she undoubtedly is, it is inconceivable that Zvereva will be good enough to prevent that progress, and I shall be astonished if she halves the German juggernaut today. How excellent for the health of the world game that the strong young men, too, have imposed themselves. On the face of it the defeat of Ivan Lendl on Thursday by the 21-year-old Swede, Jonas Svensson, was due largely to the injuries that had plagued Lendl during the closing stages of the second set. A wide forehand, hit rather late, strained his pectoral muscle and removed the sting from his forehand.

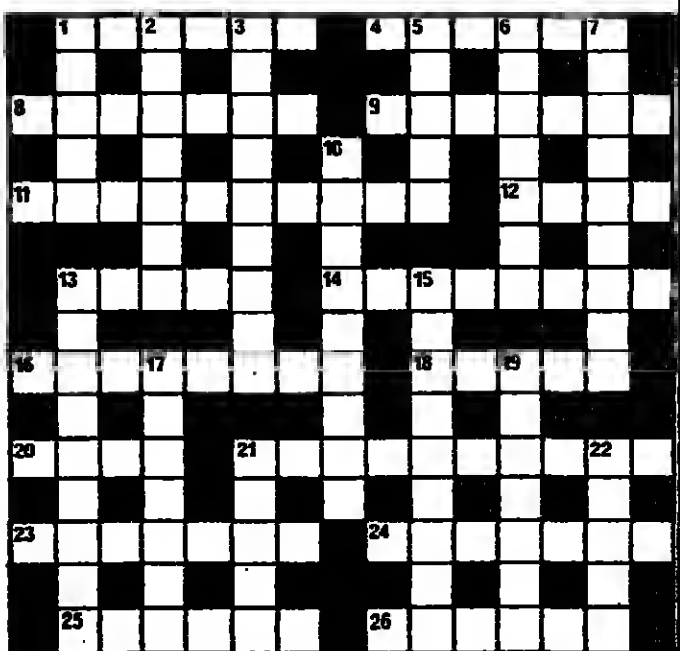
However, Svensson was having a golden day and executing to perfection the game plan devised with the help of his coach, Tim Klein. They realised that Lendl enjoys rhythm, so Svensson gave him none. Cleverly mixing medium-paced drives with drop shots or sudden darts to the net behind powerful drives, he non-plussed the favourite. The 7-6, 7-5, 6-2 victory was a thoroughly deserved one. Lendl himself graciously admitted afterwards.

It would be tragic if this injury were to spoil the Czech's chances of achieving his most cherished ambition - to win at Wimbledon. We shall not know for a few days if he will be fit enough to play.

On the other young men, I noted a fortnight ago, America's Andre Agassi and the talented Argentine, Guillermo Perez-Roldan. It was curious that the draw should have cast them as opponents in the quarter-finals where Agassi showed the value of the rest he has taken since his last defeat. The American's greater power and quicker reactions resulted in a comfortable 6-2, 6-2, 6-4 win to earn a semi-final against the logical new favourite, Wilander, the champion here in 1982 and 1985.

FT CROSSWORD No.6,647
SET BY GRIFFIN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday June 15, marked Crossword 6,647 on the envelope, to the Financial Times, 10 Cannon Street, London EC4A 3DF. Solution on Saturday June 18.



- 1 Hardy is the old boy in brown (5)
4 - the fool behind Doctor R. Marsh (6)
5 Sailor wants a D-Mark and lira exchanged (7)
9 Sense of religion is crucial element (7)
11 Decorative mantle on a mantle outside the back door (10)
12 Missing first boat to Holyhead, course (4)
13 Cold smell of navigable water (5)
14 We French pack in a custom that's disgusting (8)
15 Mixed rest with water in colander (8)
16 Book a sailor returned (5)
17 When sick Tom takes one drop (4)
18 Music may be a copy and tends to be improvised (10)
20 Changed sides when thwarted (7)
24 Nigel arranged to take mum to (5)
25 Crumbling, yet fun is a good age (5)
26 Could be dead but include it when revived (6)
DOWN
2 Traveller stirred some way away from bend (5)
3 Fireman possibly dress when invited round - (7)
3 - as Ken's new family used to make handbags, etc. (9)
4 A fier from Seoul collapsed (5)
5 Dreadful hole was Sam's running round (7)
6 Gardez tout from secret USA organisation (9)
10 I can rent a dress when travelling round (9)
13 Whip artist into a ship or boat (9)
15 The same sailors are in a nude romp, it's plain! (9)
17 Trains a replacement craftsman (7)

- 19 The French allowed a fellow in for advertising material (7)
21 Gracious! Tiny's in the way! (5)
22 Relieved to have stopped so many leaving (5)
Solution to Puzzle No.6,646

NORSEMAN OCKED
SAMESNESS STOPES
S R I V E E O E
EXUDE GAINMAKER
N N I R P O
BANDERA ECRICHI
B A R O U S
R A D I O U V E R
A B O U T
N O R T H E A S T
U E L I I I U
R E Q U I R E S E L E C T I O N

FOREIGN AFFAIRS
R E N I N
G O L D O R G A N
G E U O U S E
M A N F R I D A Y N O T E D
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A P R I L M E T A P A P E R
L I A H E S T A O V
L I G H T S O M E S W I N E
O I T N E T S S
M E M O I R I N G P R E F E R I T

Mr K. Bartley, Leatherhead, Surrey.
Mr Ken Budge, London SW18; Mrs R. J. Cave, London SW18; Mrs Hogg, Bromley, Kent; Mr R.H. Nicoll, Fareham, Hampshire.

SATURDAY

Indicates programme in black and white.

8:00 am The Family News. 8:30 The Muppet Show. 9:00 The Westwood. 9:15 The Great British Bake Off. 9:30 The Great British Bake Off. 9:45 The Great British Bake Off. 10:00 The Great British Bake Off. 10:15 The Great British Bake Off. 10:30 The Great British Bake Off. 10:45 The Great British Bake Off. 11:00 The Great British Bake Off. 11:15 The Great British Bake Off. 11:30 The Great British Bake Off. 11:45 The Great British Bake Off. 12:00 The Great British Bake Off. 12:15 The Great British Bake Off. 12:30 The Great British Bake Off. 12:45 The Great British Bake Off. 1:00 The Great British Bake Off. 1:15 The Great British Bake Off. 1:30 The Great British Bake Off. 1:45 The Great British Bake Off. 2:00 The Great British Bake Off. 2:15 The Great British Bake Off. 2:30 The Great British Bake Off. 2:45 The Great British Bake Off. 3:00 The Great British Bake Off. 3:15 The Great British Bake Off. 3:30 The Great British Bake Off. 3:45 The Great British Bake Off. 4:00 The Great British Bake 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